

**CITY OF HAWARDEN, IOWA**

**BASIC FINANCIAL STATEMENTS,  
REQUIRED SUPPLEMENTAL INFORMATION,  
SUPPLEMENTARY INFORMATION, AND  
SCHEDULE OF FINDINGS**

**FISCAL YEAR ENDED JUNE 30, 2020**

**Prepared by  
Office of the City Clerk  
Mike DeBruin, City Administrator/City Clerk  
and Jacob Stoner, Director of Finance**

**CITY OF HAWARDEN  
BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTAL INFORMATION, AND  
SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2020  
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**CITY OF HAWARDEN, IOWA  
BASIC FINANCIAL STATEMENTS, REQUIRED SUPPLEMENTAL INFORMATION, AND  
SUPPLEMENTARY INFORMATION  
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**CITY OF HAWARDEN, IOWA**  
**Directory of City Officials**  
**June 30, 2020**

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**Elected City Officers**

Ricard R. Porter – Mayor (2024)

**Council Members:**

Jenn Bergsma (2021)  
Rob Klocke (2021)  
Timothy Kurth (2021)  
John Feldhacker (2024)  
Travis Olson (2024)

**Hospital Trustees:**

Matt Hummel (2024)  
Emma Bouza (2024)  
Dennis Hulshof (2021)  
Stan Hoekstra (2021)  
Israel Curiel (2024)

**Appointed City Officers**

Mike DeBruin – City Administrator/City Clerk  
Jacob Stoner – Director of Finance  
Jim Pickner – City Attorney  
Travis Waterman – Director of Public Works  
Corey Utech – Chief of Police  
Maddy Vlotho – Librarian

**Appointed Boards and Commissions**

**Library Board of Trustees:**

Larry Gregg - President  
Kay Scroggs - Vice President  
Laura Cervantes  
David Pusey  
Denny Peters

**Planning and Zoning Commission**

Vacant - Chairman  
Mike Wiggins - Vice Chairman  
Lloyd Strong, Jr.  
Jerry Jensen  
Terry Shea

**Board of Zoning Adjustment:**

Jack Andela – Chairman  
Vacant – Vice Chairman  
John Eilts  
Bob Brewington  
Bob Bak

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## INDEPENDENT AUDITORS' REPORT

The Mayor and Members of the  
City Council  
City of Hawarden, Iowa

### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the CITY OF HAWARDEN, IOWA (the City), as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Hawarden Regional Healthcare, (a discretely presented component unit), which statements reflect total assets and deferred outflows of \$29,422,279 and total program revenues of \$14,675,507 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion insofar as it relates to the amounts included for Hawarden Regional Healthcare, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our unmodified and qualified audit opinions.

### Summary of Opinions

#### Opinion Unit

Governmental Activities  
Business-Type Activities  
Aggregate Discretely Presented Component Units  
General Fund

#### Type of Opinion

Unmodified  
Qualified  
Unmodified  
Unmodified

TIF Fund	Unmodified
Debt Service Fund	Unmodified
Downtown Project Fund	Unmodified
Water Utility Fund	Unmodified
Waste Water Treatment Utility Fund	Unmodified
Electric Utility Fund	Unmodified
Gas Utility Fund	Unmodified
Telephone Utility Fund	Unmodified
Cable/Internet Utility Fund	Qualified
Aggregate Remaining Fund Information	Unmodified

#### **Basis for Qualified Opinion on the Cable/Internet Utility Fund and Business-Type Activities**

Included in the Proprietary Funds' Combining Statement of Revenues, Expenses, and Changes in Net Position, the Cable/Utility Fund shows revenues of \$979,032. We were unable to obtain sufficient appropriate audit evidence to support that amount. As a result of this matter, we were unable to determine whether any adjustments might have been found necessary in respect to charges for service revenues and accounts receivable in that fund and also elements making up the Proprietary Funds' Combining Statement of Net Position and Combining Statement of Cash Flows, and Government-Wide Statements of Net Position and Statement of Activities.

#### **Qualified Opinions**

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on the Cable/Internet Utility Fund and Business-Type Activities" paragraph, the financial statements referred to above present fairly, in all material respects, the financial position of the Cable/Internet Utility Fund and Business-Type Activities of the City of Hawarden, Iowa, as of June 30, 2020, and the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Unmodified Opinions**

In our opinion, based on our audit, and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund other than the Cable/Internet Utility Fund, the aggregate remaining fund information and the discretely presented component unit of the City of Hawarden, Iowa as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### **Emphasis of a Matter**

As described in Note 19 to the financial statements, franchise fees were omitted from the General Fund in the prior year. Also, expenses in the Solid Waste Fund were omitted in the prior year. Also, accounts receivable in the Cable/Internet Fund were overstated in the prior year and are corrected on the accompanying financial statements. Our opinions are not modified with respect to these matters.

#### **Other Matters**

##### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, Schedule of the City's Proportionate Share of the Net Pension Liability, the Schedule of City's Contributions, Schedule of Changes in Net Pension Liability and Related Ratios – PRS, Schedule of Contributions – PRS, and the Schedule of Changes in the City's Total OPEB Liability, Related Ratios, and Notes on pages 5-14 and 63-72 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We

do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Hawarden's basic financial statements. The combining nonmajor funds, fiduciary funds, and internal service fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor funds, fiduciary funds, and internal service fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor funds, fiduciary funds, and internal service fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued a report dated June 22, 2021 on our consideration of the City of Hawarden's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Hawarden's internal control over financial reporting and compliance.

*Williams & Company, P.C.*  
Certified Public Accountants

Le Mars, Iowa  
June 22, 2021



## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**JUNE 30, 2020**

As management of the City of Hawarden, we offer readers of the City of Hawarden's financial statements this narrative overview and analysis of the financial activities of the City of Hawarden for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information contained within the City's financial statements that follow this report, as well as the separately issued financial statements of the Hawarden Community Hospital, a discretely presented component unit of the City.

### **Financial Highlights**

- The assets and deferred outflows of the City of Hawarden exceeded liabilities and deferred inflows at June 30, 2020 by \$19,080,105. Of this amount, \$4,657,251 is unrestricted and may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's net position increased \$787,604 during the year. Of this amount, the assets of our Governmental Activities increased \$922,388 and the assets of our Business-Type Activities decreased \$134,784.
- The City's long-term debt reflected an increase of \$4,603,684 as a result of debt repayment, and two new revenue bonds issued in 2020. Outstanding General Obligation debt totals \$647,554. Outstanding Revenue Bond Debt totals \$9,796,257.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the City of Hawarden's basic financial statements which consist of a series of financial statements comprised of three components: 1) The Statement of Net Position and the Statement of Activities provide information about the activities of the City as a whole and present a longer-term view of the City's finances. 2) Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the City's operations in more detail than the government-wide statements by providing information about the City's most significant funds. The remaining statements provide financial information about activities for which the City acts solely as a trustee or agent for the benefit of those outside the government. 3) An additional part of the basic financial statements are the Notes to the Financial Statements. This report also contains other supplementary information in addition to the basic financial statements. Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year, the City's proportionate share of the net pension liability, related contributions, and the police retirement system related ratios, as well as presenting the Schedule of Changes in the City's Total OPEB Liability, Related Ratios, and Notes.

## **REPORTING THE CITY AS WHOLE**

### **The Statement of Net Position and the Statement of Activities**

The government-wide statements report information about the City as a whole using accounting methods similar to those used by the private sector companies. The Statement of Net Position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenue and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

These statements include all assets, deferred outflows of resources, liabilities and deferred inflows of resources using the accrual basis of accounting, which is very similar to the method of accounting used by the private-sector companies. These two statements report the City's financial health, or financial position. Over time, increases or decreases in the City's net position are one indicator of whether its financial health is improving or deteriorating. Additional factors, such as changes in the City's property tax base and sales tax collections and condition of the City's infrastructure, are also important in making this determination.

In the Statement of Net Position and the Statement of Activities, we have divided the City into two kinds of activities:

- **Governmental Activities** – Most of the City's basic services are reported here, such as Police, Fire, Ambulance, Public Works, Parks, and Recreation departments, and general administration. Property Taxes, charges for services, state and federal grants finance most of these activities.
- **Business Type Activities** – The City charges fees to customers to cover the cost of these services. Included here are the City Electric, Water, Sewer, Natural Gas, City Telephone, and Cable/High Speed Internet.

## **REPORTING THE CITY'S MOST SIGNIFICANT FUNDS**

### **Fund Financial Statements**

The fund financial statements provide detailed information about the most significant funds, not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain revenues (such as Sales Tax Revenues). The City has the following types of funds:

- **Governmental Funds** – Most of the City's basic services are included in Governmental Funds, which focus on how money moves into and out of these

funds and the balances left at year-end are available for spending. These funds are reported using a modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted to cash. The Governmental Fund Statements provide a detailed short-term view of the City's general governmental operations and basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance City programs. We describe the relationship between Governmental Activities (reported in the Statement of Net Position and the Statement of Activities) and the Governmental Funds in a reconciliation following each Governmental Fund financial statement.

- **Proprietary Funds** – When the City charges customers for the service it provides, these services are generally reported in Proprietary Funds. Proprietary Funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. The major difference between the Proprietary Funds report and the Business Type Activities report in the government-wide statements is the detail and additional information, such as cash flows, provided in the Proprietary Funds report.

## **THE CITY AS TRUSTEE**

### **Reporting the City's Fiduciary Responsibilities**

Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Fiduciary Funds statements.

## **THE CITY AS A WHOLE**

As stated earlier, net position may serve over time as a useful indicator of a government's financial position. The largest part of the City's net position reflects its investment in capital assets (land, buildings and improvements, and equipment), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from the other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

For the year ended June 30, 2020, net position changed as follows:

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and Other Assets	\$ 4,161,599	\$ 4,410,528	\$ 6,926,827	\$ 5,669,653	\$ 11,088,426	\$ 10,080,181
Capital Assets	10,071,953	8,810,943	11,735,280	7,657,752	21,807,233	16,468,695
Total Assets	14,233,552	13,221,471	18,662,107	13,327,405	32,895,659	26,548,876
Deferred Outflows of Resources	133,714	150,116	110,661	138,542	244,375	288,658
Total Deferred Outflows of Resources	133,714	150,116	110,661	138,542	244,375	288,658
Long-term Liabilities Outstanding	1,176,296	1,332,646	10,184,920	5,522,544	11,361,216	6,855,190
Other Liabilities	274,759	152,760	1,129,287	324,727	1,404,046	477,487
Total Liabilities	1,451,055	1,485,406	11,314,207	5,847,271	12,765,262	7,332,677
Deferred Inflows of Resources	1,220,322	1,118,422	74,345	36,098	1,294,667	1,154,520
Total Deferred Inflows of Resources	1,220,322	1,118,422	74,345	36,098	1,294,667	1,154,520
Net Position:						
Net Investment in Capital Assets,	9,424,399	8,042,542	3,255,230	2,586,026	12,679,629	10,628,568
Restricted	912,851	1,019,749	830,374	664,384	1,743,225	1,684,133
Unrestricted	1,358,639	1,705,468	3,298,612	4,332,168	4,657,251	6,037,636
Total Net Position	\$ 11,695,889	\$ 10,767,759	\$ 7,384,216	\$ 7,582,578	\$ 19,080,105	\$ 18,350,337

The government's net position increased by \$787,604 over the fiscal year 2019 amount. Reasons for the increase of the government's net position are increased revenues as compared to additional expenses. This summary reflects an increase of total net position by 8.62% for the Governmental Activities and a decrease of 2.62% in the Business-Type Activities.

Total Revenue and Expenses and changes in Net Position reported in fiscal year 2020 as compared to fiscal year 2019 are shown in the chart below.

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program Revenues:						
Charges for Services	\$ 472,475	\$ 394,516	\$ 6,047,620	\$ 5,760,839	\$ 6,520,095	\$ 6,155,355
Operating Grants & Contributions	402,970	384,845	-	-	402,970	384,845
Capital Grants & Contributions	136,859	70,578	-	-	136,859	70,578
General Revenues:						
Property Taxes	1,059,612	1,024,096	-	-	1,059,612	1,024,096
Other Taxes	407,151	329,416	-	-	407,151	329,416
Other	224,533	186,796	28,551	52,031	253,084	238,827
Total Revenues	\$ 2,703,600	\$ 2,390,247	\$ 6,076,171	\$ 5,812,870	\$ 8,779,771	\$ 8,203,117

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Expenses:						
General Government	\$ 290,264	\$ 288,784	\$ -	\$ -	\$ 290,264	\$ 288,784
Public Safety	806,598	781,438	-	-	806,598	781,438
Public Works	611,347	617,977	-	-	611,347	617,977
Health & Welfare	408,446	330,711	-	-	408,446	330,711
Culture & Recreation	603,429	674,377	-	-	603,429	674,377
Community and Economic Development	143,920	64,976	-	-	143,920	64,976
Debt Service	19,982	33,316	-	-	19,982	33,316
Water Utility	-	-	425,288	408,299	425,288	408,299
Waste Water Utility	-	-	403,012	307,411	403,012	307,411
Electric Utility	-	-	1,949,171	1,786,442	1,949,171	1,786,442
Gas Utility	-	-	843,950	889,870	843,950	889,870
Solid Waste Utility	-	-	228,658	183,983	228,658	183,983
Telephone Utility	-	-	509,113	495,577	509,113	495,577
Cable/Internet Utility	-	-	748,989	751,892	748,989	751,892
Total Expenses	2,883,986	2,791,579	5,108,181	4,823,474	7,992,167	7,615,053
Increase (Decrease) in Net Position, Before Transfers	(180,386)	(401,332)	967,990	989,396	787,604	588,064
Transfers	1,102,774	20,000	(1,102,774)	(20,000)	-	-
Increase (Decrease) in Net Position	922,388	(381,332)	(134,784)	969,396	787,604	588,064
Net Position, July 1	10,767,759	11,136,070	7,582,578	6,613,182	18,350,337	17,749,252
Prior Period Adjustment	5,742	13,021	(63,578)	-	(57,836)	13,021
Net Position, July 1, as Restated	10,773,501	11,149,091	7,519,000	6,613,182	18,292,501	17,762,273
Net Position, June 30	\$ 11,695,889	\$ 10,767,759	\$ 7,384,216	\$ 7,582,578	\$ 19,080,105	\$ 18,350,337

Program revenues totaled \$7,059,924 for fiscal year 2020 compared to \$6,610,778 for fiscal year 2019. Governmental Activities provided \$1,012,304 and Business-Type Activities provided \$6,047,620. Revenue collected for Charges for Services during fiscal year 2020 was \$6,520,095 accounting for 92.4% of the total program revenues.

General Revenues for fiscal year 2020 totaled \$1,719,847. Governmental Activities provided \$1,691,296 and Business-Type Activities provided \$28,551. Property Tax Revenues for fiscal year 2020 totaled \$1,059,612 accounting for 61.6% of General Revenues.

Expenses for fiscal year 2020 totaled \$7,992,167. Expenses for General Governmental Activities totaled \$2,883,986, accounting for 36.1% of total expenses. Business-Type Activity expenses totaled \$5,108,181 for 63.9% of the total.

The following table shows the activities included within each program level:

<u>Program Level</u>	<u>Activity</u>
Public Safety .....	Individual & Community Protection, Physical Health
Public Works .....	Roadway Construction, Airport Operations, Street Lighting, Transportation Services
Culture and Recreation .....	Education & Culture, Leisure Time Opportunities

<u>Program Level</u>	<u>Activity</u>
Community and Economic Development.....	Economic Development, Community Beautification, Planning and Zoning
General Government.....	Administration, Support Services
Debt Service.....	Payment of Principal and Interest
Capital Projects .....	Construction of Capital Facilities
Water System.....	Operation of Water Treatment Plant/Supply Distribution System
Sewer System .....	Operation of the Waste Water Treatment Plant/Collection System
Electric System .....	Operation of Electric Distribution System
Natural Gas Utility .....	Operation of Natural Gas Distribution System
Solid Waste Utility .....	Oversight of Solid Waste Contract/Closed Landfill
Telephone Utility .....	Operation of Telephone Communication System
Cable/Internet Utility .....	Operation of Cable/Internet System

### **Governmental Activities**

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different than a typical Statement of Revenues, Expenses and Changes in Fund Balance. Please note that the expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense) Revenue calculation. This format highlights the respective financial burden that each of the functions place on the taxpayers. For example, for Public Safety, the City spent \$806,598 and received \$376,551 in revenue, thus leaving a cost to the taxpayer of \$430,047 to be funded by various methods. The format also identifies how much each function draws from general revenues or is self-financing through fees or grants. Some of the individual line item revenues reported for each function are:

Public Safety	Fines, Fees
Culture and Recreation	Fees, Donations, Grants
General Government	Licenses, Permits

The total cost of governmental activities this year was \$2,883,986. Of these costs, \$472,475 was paid by those who directly benefited from the programs. Costs paid by other governments and organizations that subsidized certain programs with grants and contributions were \$539,829, leaving a Net Expense of \$1,871,682 for Governmental Activities. These expenses were covered with tax revenues, interest and other general revenues. The Statement of Activities in the financial statements provides further detail.

Total resources available during the year to finance governmental operations were \$14,579,875, consisting of Net Position (restated) at July 1, 2019 of \$10,773,501, Program Revenues of \$1,012,304 and General Revenues and transfers of \$2,794,070. Total Governmental Activities during the year expended \$2,883,986; thus, Net Position increased by \$922,388, to \$11,695,889.

## **Business-Type Activities**

Business-Type Activities decreased the City's net position by \$134,784.

The cost of all Proprietary Activities this year was \$5,108,181. As shown in the Statement of Activities, the amount paid by users of the systems was \$6,047,620, resulting in total Net Revenue for Business-Type Activities of \$939,439.

Total resources available during the year to finance Business-Type activities were \$12,492,397 consisting of Net Position (restated) at July 1, 2019 of \$7,519,000, Program Revenues of \$6,047,620, General Revenues of \$28,551 less transfers of (\$1,102,774). Total Business-Type Activities during the year expended \$5,108,181; thus Net Position decreased by \$134,784 to \$7,384,216.

## **Financial Analysis of the City's Funds**

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. Unassigned fund balance may serve as a useful measure of the government's net resources available for spending at the end of a fiscal year. The City's Governmental Funds reported combined ending fund balances of \$1,769,940. The combined Governmental Funds balance decreased \$176,874 from the prior year.

The General Fund is the primary operating fund of the City. During the year, expenditures were greater than revenues and transfers in the General fund by \$206,737. This is a decrease from fiscal year 2019 when the General fund increased by \$13,681. The TIF Fund saw a \$236,415 decrease in its fund balance, due transfers to the debt service fund. The Debt Service Fund saw an increase of \$391,782 in its fund balance due to increased transfers in. The Downtown Project fund saw an increase of \$12,094 in its fund balance due to a transfer in.

## Budgetary Highlights

The following table shows the budget variances by program expenditure structure:

	Amended Budget	Actual Expenditures	Variance
Public Safety	\$ 756,434	\$ 752,280	\$ 4,154
Public Works	464,327	455,098	9,229
Culture and Recreation	564,881	520,373	44,508
Community and Economic Development	139,231	141,071	(1,840)
General Government	230,383	185,443	44,940
Health and Social Services	385,000	407,151	(22,151)
Capital Projects	900,000	1,345,159	(445,159)
Debt Service	140,125	141,478	(1,353)
Business Type Activities	20,773,669	18,768,706	2,004,963
Total Expenditures	\$ 24,354,050	\$ 22,716,759	\$ 1,637,291

Below is a brief recap of budget activity for the year:

- The total original revenue budget of \$19,632,156 was increased to \$19,810,172 (an increase of \$178,016).
- The total original expenditure budget of \$19,045,852 was increased to \$24,354,050 (an increase of \$5,308,198 due largely to not including the hospital expenditures in the original budget).
- The above amendments to budgets were related to appropriations for capital improvements, capital outlay and hospital revenues and expenses that are sensitive to Medicare reimbursements. Capital project expenditures included engineering for several smaller projects, equipment acquisition, and Sioux County Conservation contribution. Expenditures were below the revised budget projections by \$1,637,291. This is primarily due the City including some capital projects in the expenditure adjustments.



## **Capital Assets**

The City's investment in capital assets, including land, buildings and improvements, equipment, streets, and other infrastructure represents the value of the resources utilized to provide services to our citizens. The investment in capital assets as of June 30, 2020, was \$12,679,629 (net of accumulated depreciation and outstanding financings) compared to \$10,628,568 as of June 30, 2019. The increase can be accounted for from the purchase of new equipment and construction projects either in progress or that have recently been completed. See Note 5 to the financial statements for more information on the City's capital assets.

## **DEBT ADMINISTRATION**

At year-end, the City had \$10,443,811 of debt outstanding which is a \$4,603,684 increase from last year. This increase is a result of making scheduled debt payments on capital improvement projects and two new revenue bonds issued in 2020. Debt administration is on track for all City debt to be repaid within twenty years. This aggressive repayment schedule, combined with the use of TIF revenue for debt repayment, has allowed the City to maintain a good credit rating which reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt Outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$5,735,482. With outstanding General Obligation Debt applicable to this limit of \$635,000, we are utilizing 11.1% of this limit. More detailed information on debt administration is provided in Note 6 of the financial statements.

## **ECONOMIC FACTORS**

The City of Hawarden continues to maintain a progressive approach to growth and community development. During fiscal year 2020 work proceeded on utility infrastructure and capital projects as scheduled.

Economically, the City works hard to attract new businesses and industry, while maintaining the quality of life residents have come to expect and enjoy. The following are a few examples of these efforts: Superior Farms continues to expand their pet treat operations in Hawarden and continues to add employees. Coilcraft continues to add employees and be a force in the electronics field. We have hired an Economic Development/Community Development Director to market and fill the empty buildings on Main Street, the industrial park as well as expand existing business. The City has completed a major Waste-Water Plant upgrade that will take the plant well into the future. Projects for fiscal year 2021 are to continue to look for ways to improve the community including engineering on Avenue L from 21<sup>st</sup> Street to Highway 10.

In business and industry recruitment, the City of Hawarden's Economic/Community Development Specialist continues to work on business recruitment and retention. Furthermore, they will focus on marketing Hawarden through various means both internally (the community) and externally (surrounding communities and/or potential businesses). The City of Hawarden continues to expand its comprehensive marketing campaign by various means with which to promote Hawarden in a professional light as well as brand the community's name to decision-makers around the world.

Hawarden as a community continues to provide excellent medical care through two clinics and the Hawarden Community Hospital. Sioux Center Health has purchased and is operating an independent medical clinic, formerly known as Hawarden Family Medical Clinic. We are also fortunate to have an excellent nursing home and two assisted living centers in our community. The Family First Dental Clinic offers excellent dental care for the community.

Beautification projects continue to be a priority for the community. The City of Hawarden has been committed to a Walking Trail Project that will eventually surround the entire city. This will enhance the health and wellness of our citizens who do a great deal of walking, and also provide a much safer place for citizens to walk and get exercise. The City of Hawarden continues their beautification efforts through enforcement of its Property Maintenance Code.

In March 2020, the COVID-19 virus global pandemic began impacting the community. Management is carefully monitoring the situation and evaluating its options during this time.

## **CONTACTING THE CITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Michael DeBruin at 712-551-2565.

CITY OF HAWARDEN, IOWA  
STATEMENT OF NET POSITION  
JUNE 30, 2020

	Primary Government			Component Unit
	Governmental	Business-Type	Total	Hawarden Regional Healthcare
	Activities	Activities		
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 2,147,126	\$ 4,399,071	\$ 6,546,197	\$ 12,437,479
Investments	76,690	145,181	221,871	-
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	85,112	370,095	435,207	1,811,616
Taxes	39,842	-	39,842	-
Subsequent Year Taxes	1,130,488	-	1,130,488	-
Accrued Interest	-	252	252	-
Other	-	-	-	243,750
Estimated Unbilled Usage	-	364,607	364,607	-
Special Assessments	166,347	2,750	169,097	-
Pledges Receivable	-	-	-	59,322
Notes Receivable	372,952	-	372,952	-
Internal Balances	(134,745)	134,745	-	-
Due from Other Governmental Agencies	73,877	-	73,877	215,695
Inventories	-	495,308	495,308	128,940
Prepaid Assets	69,537	69,492	139,029	70,364
Land Held for Resale	19,827	-	19,827	-
Investment in Joint Venture	-	36,437	36,437	-
Restricted Assets:				
Cash and Cash Equivalents - Board Restricted	-	-	-	1,163,833
Cash and Cash Equivalents - Bond Reserve	-	848,088	848,088	-
Certificates of Deposit - Donor Restricted	134,546	-	134,546	-
Customer Deposits	-	60,801	60,801	-
Land	411,419	56,094	467,513	172,313
Construction in Progress	396,085	3,444,292	3,840,377	118,577
Infrastructure, Property and Equipment, Net of Accumulated Depreciation (Note 4)	9,264,449	8,234,894	17,499,343	11,938,203
Other assets	-	-	-	8,311
<b>Total Assets</b>	<b>14,233,552</b>	<b>18,662,107</b>	<b>32,895,659</b>	<b>28,368,403</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related Deferred Outflows	133,714	110,661	244,375	965,335
Intangible asset, net	-	-	-	88,541
<b>Total Deferred Outflows of Resources</b>	<b>133,714</b>	<b>110,661</b>	<b>244,375</b>	<b>1,053,876</b>
<b>LIABILITIES</b>				
Accounts Payable	238,901	727,488	966,389	311,624
Accrued Wages	34,171	18,893	53,064	520,643
Accrued Expenses	-	4,415	4,415	500,782
Due to Other Governments	-	6,792	6,792	-
Unearned Revenue	-	287,034	287,034	-
Accrued Interest Payable	1,687	-	1,687	-
Refundable Advances	-	-	-	5,414,710
Estimated 3rd Party Payor Settlements	-	-	-	500,921
Payables from Restricted Assets:				
Customer Deposits	-	64,126	64,126	-
Accrued Revenue Bond Interest	-	20,539	20,539	-
Long-Term Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	535,450	535,450	-
General Obligation Bonds	120,000	-	120,000	-
Notes Payable	-	-	-	687,570
Compensated Absences	7,735	8,650	16,385	-
Due in more than one year:				
Revenue Bonds Payable	-	9,260,807	9,260,807	-
General Obligation Bonds	527,554	-	527,554	-
Notes Payable	-	-	-	8,826,266
Compensated Absences	30,938	34,801	65,539	-
Net Pension Liability	476,403	334,098	810,501	2,870,874
Total OPEB Liability	13,666	11,314	24,980	-
<b>Total Liabilities</b>	<b>1,451,055</b>	<b>11,314,207</b>	<b>12,765,262</b>	<b>19,633,390</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Unavailable Revenue- subsequent year taxes	1,130,488	-	1,130,488	-
Pension Related Deferred Inflows	89,834	74,345	164,179	457,748
<b>Total Deferred Inflows of Resources</b>	<b>1,220,322</b>	<b>74,345</b>	<b>1,294,667</b>	<b>457,748</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	9,424,399	3,255,230	12,679,629	3,664,457
Restricted for:				
Specific Revenues	679,107	-	679,107	-
Revenue Bonds	-	830,374	830,374	-
Endowments:				
Expendable	99,198	-	99,198	716,201
Nonexpendable	134,546	-	134,546	-
Unrestricted	1,358,639	3,298,612	4,657,251	4,950,483
<b>Total Net Position</b>	<b>\$ 11,695,889</b>	<b>\$ 7,384,216</b>	<b>\$ 19,080,105</b>	<b>\$ 9,331,141</b>

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2020**

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
Public Safety	\$ 806,598	\$ 360,635	\$ 15,916	\$ -
Public Works	611,347	-	343,783	43,220
Health and Social Services	408,446	-	6,162	-
Culture and Recreation	603,429	54,180	37,109	93,639
Community and Economic Development	143,920	-	-	-
General Government	290,264	57,660	-	-
Interest Expense	19,982	-	-	-
Total governmental activities	<u>2,883,986</u>	<u>472,475</u>	<u>402,970</u>	<u>136,859</u>
<b>Business-Type Activities:</b>				
Water Utility	425,288	353,410	-	-
WasteWater Treatment Utility	403,012	635,780	-	-
Electric Utility	1,949,171	2,502,188	-	-
Gas Utility	843,950	953,904	-	-
Solid Waste Utility	228,658	230,355	-	-
Telephone Utility	509,113	392,951	-	-
Cable/Internet Utility	748,989	979,032	-	-
Total Business-Type Activities:	<u>5,108,181</u>	<u>6,047,620</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 7,992,167</u>	<u>\$ 6,520,095</u>	<u>\$ 402,970</u>	<u>\$ 136,859</u>
<b>Component Unit:</b>				
Hawarden Regional Healthcare	<u>\$ 13,424,410</u>	<u>\$ 13,684,540</u>	<u>\$ 976,640</u>	<u>\$ 14,327</u>

**General Revenues:**

Property taxes  
Local Option Sales Tax  
Interest  
Commercial/ Industrial Tax Replacement  
Gain on Sale of Assets  
Miscellaneous  
Interfund Transfers  
Total general revenues and transfers  
Change in net position

Net Position - beginning  
Prior Period Adjustment  
Net Position - beginning, as Restated  
Net Position - ending

Net (Expense) Revenue and Changes in Net Position			Component Unit Hawarden Regional Healthcare
Governmental Activities	Business-Type Activities	Total	
\$ (430,047)		\$ (430,047)	
(224,344)		(224,344)	
(402,284)		(402,284)	
(418,501)		(418,501)	
(143,920)		(143,920)	
(232,604)		(232,604)	
(19,982)		(19,982)	
<u>(1,871,682)</u>		<u>(1,871,682)</u>	
-	\$ (71,878)	(71,878)	
-	232,768	232,768	
-	553,017	553,017	
-	109,954	109,954	
-	1,697	1,697	
-	(116,162)	(116,162)	
-	230,043	230,043	
-	<u>939,439</u>	<u>939,439</u>	
<u>(1,871,682)</u>	<u>939,439</u>	<u>(932,243)</u>	
			\$ <u>1,251,097</u>
1,059,612	-	1,059,612	-
407,151	-	407,151	-
101,610	1,083	102,693	74,236
24,679	-	24,679	-
39,756	-	39,756	-
58,488	27,468	85,956	-
1,102,774	(1,102,774)	-	-
<u>2,794,070</u>	<u>(1,074,223)</u>	<u>1,719,847</u>	<u>74,236</u>
922,388	(134,784)	787,604	1,325,333
10,767,759	7,582,578	18,350,337	8,005,808
5,742	(63,578)	(57,836)	-
<u>10,773,501</u>	<u>7,519,000</u>	<u>18,292,501</u>	<u>8,005,808</u>
<u>\$ 11,695,889</u>	<u>\$ 7,384,216</u>	<u>\$ 19,080,105</u>	<u>\$ 9,331,141</u>

**CITY OF HAWARDEN, IOWA**  
**BALANCE SHEET**  
**Governmental Funds**  
**JUNE 30, 2020**

	General	TIF
<b>Assets</b>		
Cash and Cash Equivalents	\$ 468,942	\$ 54,899
Investments	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)		
Accounts	65,112	-
Taxes	18,891	13,308
Subsequent Year Taxes	544,203	339,158
Special Assessments	-	-
Notes Receivable	-	-
Due from Other Governmental Agencies	-	-
Prepaid Assets	69,537	-
Land Held for Resale	19,827	-
Restricted Assets:		
Donor Restricted Investments	-	-
<b>Total Assets</b>	<b>1,186,512</b>	<b>407,365</b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>		
<b>Liabilities:</b>		
Accounts Payable	44,508	-
Accrued Wages and Compensated Absences	34,171	-
Due to Other Funds	-	-
Advance from Other Funds	-	18,476
<b>Total Liabilities</b>	<b>78,679</b>	<b>18,476</b>
<b>Deferred Inflows of Resources</b>		
Unavailable Revenue- subsequent year taxes	544,203	339,158
Unavailable Revenue- delinquent property taxes	10,366	9,676
Unavailable Revenue- special assessments	-	-
<b>Total Deferred Inflows of Resources</b>	<b>554,569</b>	<b>348,834</b>
<b>Fund Balances (Deficits):</b>		
<b>Nonspendable:</b>		
Prepaid expenditures	69,537	-
Library Endowment	-	-
<b>Restricted for:</b>		
Road Surface Repairs	-	-
Revolving Loan Fund	-	-
Library Endowment	-	-
Tax Increment Financing	-	40,055
Emergency Fund	-	-
<b>Assigned for:</b>		
Capital Improvement and Facilities	-	-
<b>Unassigned:</b>	<b>483,727</b>	<b>-</b>
<b>Total Fund Balances</b>	<b>553,264</b>	<b>40,055</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ 1,186,512</b>	<b>\$ 407,365</b>

Debt Service	Downtown Project	Non-major Governmental Funds	Total Governmental Funds
\$	-	\$	\$
-	-	851,716	1,375,557
-	-	76,690	76,690
-	-	-	65,112
-	-	7,643	39,842
-	-	247,127	1,130,488
-	-	166,347	166,347
-	-	346,611	346,611
-	-	73,877	73,877
-	-	-	69,537
-	-	-	19,827
-	-	134,546	134,546
-	-	1,904,557	3,498,434
-	375	194,018	238,901
-	-	-	34,171
5,067	41,171	70,031	116,269
-	-	-	18,476
5,067	41,546	264,049	407,817
-	-	247,127	1,130,488
-	-	3,800	23,842
-	-	166,347	166,347
-	-	417,274	1,320,677
-	-	-	69,537
-	-	134,546	134,546
-	-	126,742	126,742
-	-	487,623	487,623
-	-	99,198	99,198
-	-	-	40,055
-	-	14,784	14,784
-	-	558,101	558,101
(5,067)	(41,546)	(197,760)	239,354
(5,067)	(41,546)	1,223,234	1,769,940
\$	\$	\$	\$
-	-	1,904,557	3,498,434

**CITY OF HAWARDEN, IOWA**  
**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**June 30, 2020**

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Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds (page 19)			\$ 1,769,940
Infrastructure, property, and equipment used in governmental activities are not financial resources and, therefore, are not reported in the funds.			9,012,301
Internal service funds are used by management to acquire the capital equipment which is provided to user departments and are included in the statement of net position.			1,857,562
Deferred property tax revenues and special assessments that provide current financial resources for governmental activities.			190,189
Accrued expenses from the balance sheet that require current financial resources for governmental activities.			(1,687)
Accrued compensated absences not reported on the modified accrual basis.			(38,673)
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.			(647,554)
Pension and OPEB related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore, are not reported in the governmental funds, as follows:			
	Deferred Outflows of Resources	133,714	
	Deferred Inflows of Resources	<u>(89,834)</u>	43,880
Other Post Employment Benefit Liabilities, and Net Pension Liabilities are not due and payable in the current period and therefore are not reported in the funds.			<u>(490,069)</u>
Total Net Position - Governmental Activities (page 15)			<u>\$ 11,695,889</u>



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**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Funds**  
**For the Year Ended June 30, 2020**

	General	TIF
Revenue:		
Taxes	\$ 535,225	\$ 301,660
Special Assessments	-	-
Licenses and Permits	28,789	-
Intergovernmental Revenue	85,444	-
Charges for Services	398,735	-
Fines and Forfeits	5,559	-
Contributions	11,082	-
Refunds/Reimbursements	58,488	-
Rental Income	28,871	-
Sale of Fixed Assets	25,270	-
Interest	79,870	-
Miscellaneous	9,222	-
Total Revenue	<u>1,266,555</u>	<u>301,660</u>
Expenditures:		
Public Safety	652,362	-
Public Works	169,454	-
Health and Social Services	-	-
Culture and Recreation	490,415	-
Community and Economic Development	120,591	-
General Government	119,921	-
Capital Projects	-	-
Debt Service	-	1,403
Total Expenditures	<u>1,552,743</u>	<u>1,403</u>
Excess (deficiency) of revenues over expenditures	<u>(286,188)</u>	<u>300,257</u>
Other financing sources (uses):		
Transfers In	247,096	-
Transfers Out	(167,645)	(536,672)
Total other financing sources (uses)	<u>79,451</u>	<u>(536,672)</u>
Net Change in Fund Balance	(206,737)	(236,415)
Fund balances - beginning of year	754,259	276,470
Prior Period Adjustment	5,742	-
Beginning Fund balances (deficits), as restated	<u>760,001</u>	<u>276,470</u>
Fund balances (deficits) - end of year	<u>\$ 553,264</u>	<u>\$ 40,055</u>

Debt Service	Downtown Project	Non-major Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 240,872	\$ 1,077,757
-	-	28,584	28,584
-	-	-	28,789
-	-	772,196	857,640
-	-	-	398,735
-	-	-	5,559
-	-	75,195	86,277
-	-	-	58,488
-	-	-	28,871
-	-	-	25,270
-	-	20,835	100,705
-	-	-	9,222
-	-	1,137,682	2,705,897
-	-	99,918	752,280
-	-	285,644	455,098
-	-	407,151	407,151
-	-	29,958	520,373
-	-	20,480	141,071
-	-	65,522	185,443
-	887,906	457,253	1,345,159
140,075	-	-	141,478
140,075	887,906	1,365,926	3,948,053
(140,075)	(887,906)	(228,244)	(1,242,156)
531,857	900,000	222,927	1,901,880
-	-	(132,281)	(836,598)
531,857	900,000	90,646	1,065,282
391,782	12,094	(137,598)	(176,874)
(396,849)	(53,640)	1,360,832	1,941,072
-	-	-	5,742
(396,849)	(53,640)	1,360,832	1,946,814
\$ (5,067)	\$ (41,546)	\$ 1,223,234	\$ 1,769,940

**CITY OF HAWARDEN, IOWA**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2020**

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Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net change in fund balances - total governmental funds (page 22) \$ (176,874)

Governmental funds report capital outlay, including infrastructure, as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. Depreciation expense exceeded capital outlay in the current year as follows:

Expenditures for capital assets	\$ 1,337,637	
Depreciation expense	<u>(320,127)</u>	1,017,510

Governmental funds report the proceeds from the sale of fixed assets as revenue whereas the statement of activities reports the gain or (loss) on the sale of fixed assets. This is the effect on the change in net position on the statement of activities. (5,277)

Revenues reported in the funds that are not available to provide current financial resources (17,688)

Accrued interest expense that does not require current financial resources 649

Internal service funds are used by management to fund and maintain the City's insurance policies provided to user departments and for the maintenance, repair, and replacement of the City's automotive equipment and are included in the statement of net position. The net revenue of the internal service funds is reported with governmental activities. 17,175

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Compensated absences	1,655	
Other post employment benefits	(2,183)	
Pension expense	<u>(33,426)</u>	(33,954)

The repayment of the principal of bonded long-term debt consumes the current financial resources of governmental funds without affecting the net position. The statement of activities does not reflect the payment of principal on bonded long-term debt. The principal paid on bonded long-term debt during the current year was: 120,000

The effect of bond issuance premiums are shown in the governmental funds when new debt is issued, whereas, these amounts are deferred and accreted in the Statement of Activities 847

Change in Net Position of Governmental Activities (page 17) \$ 922,388

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**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF NET POSITION**  
**Proprietary Funds**  
**JUNE 30, 2020**

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
<b>ASSETS</b>				
Current Assets:				
Cash and Cash Equivalents	\$ -	\$ 154,478	\$ 2,556,131	\$ 932,277
Receivables (Net, where applicable, of allowance for uncollectibles)				
Accounts	45,560	93,037	137,524	63,166
Accrued Interest	-	252	-	-
Estimated Unbilled Usage	41,920	62,765	220,163	20,606
Special Assessments	2,750	-	-	-
Notes Receivable	-	-	-	-
Due from Other Funds	-	-	648,347	-
Investment in Joint Venture	-	-	2,661	-
Advances to Other Funds	-	18,476	-	-
Inventories	33,206	-	265,053	46,282
Prepaid Assets	10,256	6,440	23,858	10,619
Non-Current Assets:				
Restricted Assets:				
Cash and Cash Equivalents - Bond Reserve	-	-	848,088	-
Customer Deposits	-	-	-	47,691
Land	33,873	130	-	6
Construction in Progress	-	3,068,517	375,775	-
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	372,261	428,942	6,363,488	241,182
<b>Total Assets</b>	<b>539,826</b>	<b>3,833,037</b>	<b>11,441,088</b>	<b>1,361,829</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pension Related Deferred Outflows	12,565	8,522	48,236	14,256
<b>LIABILITIES</b>				
Current Liabilities:				
Accounts Payable	4,992	318,104	252,876	63,880
Accrued Wages	2,411	1,377	7,047	3,105
Accrued Expenses	1	1	2,283	1,362
Due to Other Funds	241,122	-	-	-
Due to Other Governments	-	-	-	-
Unearned Revenue	13,375	9,941	150,416	109,169
Payables from Restricted Assets:				
Customer Deposits	-	-	-	47,691
Accrued Revenue Bond Interest	-	2,825	17,714	-
Noncurrent Liabilities:				
Due within one year:				
Revenue Bonds Payable	-	160,450	375,000	-
Compensated Absences	1,484	549	1,865	2,285
Due in more than one year:				
Revenue Bonds Payable	-	2,425,556	6,835,251	-
Net Pension Liability	37,934	25,728	145,633	43,041
Other Post Employee Benefits	1,284	872	4,931	1,456
Compensated Absences	5,937	2,197	7,459	9,138
<b>Total Liabilities</b>	<b>308,540</b>	<b>2,947,600</b>	<b>7,800,475</b>	<b>281,127</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pension Related Deferred Inflows	8,441	5,725	32,407	9,579
<b>NET POSITION</b>				
Net Investment in Capital Assets	406,134	911,583	845,219	241,188
Restricted for:				
Revenue Bonds	-	-	830,374	-
Unrestricted	(170,724)	(23,349)	1,980,849	844,191
<b>Total Net Position</b>	<b>\$ 235,410</b>	<b>\$ 888,234</b>	<b>\$ 3,656,442</b>	<b>\$ 1,085,379</b>

Business Type Activities				Governmental
Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Activities Internal Service
\$ -	\$ 866,042	\$ 35,324	\$ 4,544,252	\$ 771,569
4,083	4,805	21,920	370,095	-
-	-	-	252	-
-	-	19,153	364,607	-
-	-	-	2,750	-
-	-	-	-	26,341
-	-	-	648,347	-
-	-	33,776	36,437	-
-	-	-	18,476	-
102,299	48,468	-	495,308	-
11,263	6,000	1,056	69,492	-
-	-	-	-	-
-	-	-	848,088	-
13,110	-	-	60,801	-
-	-	22,085	56,094	-
-	-	-	3,444,292	73,885
543,305	285,716	-	8,234,894	985,767
674,060	1,211,031	133,314	19,194,185	1,857,562
22,498	4,584	-	110,661	-
12,908	52,023	22,705	727,488	-
4,055	898	-	18,893	-
561	206	1	4,415	-
290,956	-	-	532,078	-
6,792	-	-	6,792	-
-	-	4,133	287,034	-
13,110	3,325	-	64,126	-
-	-	-	20,539	-
-	-	-	535,450	-
1,932	485	50	8,650	-
-	-	-	9,260,807	-
67,921	13,841	-	334,098	-
2,301	470	-	11,314	-
7,729	1,940	201	34,601	-
408,265	73,188	27,090	11,846,285	-
15,114	3,079	-	74,345	-
543,305	285,716	22,085	3,255,230	1,059,652
-	-	-	830,374	-
(270,126)	853,632	84,139	3,298,612	797,910
\$ 273,179	\$ 1,139,348	\$ 106,224	\$ 7,384,216	\$ 1,857,562

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

	Business Type Activities			
	Water Utility	Waste Water Treatment Utility	Electric Utility	Gas Utility
<b>Operating Revenues:</b>				
Charges for Services	\$ 353,410	\$ 635,780	\$ 2,502,188	\$ 953,904
<b>Total Operating Revenue</b>	<b>353,410</b>	<b>635,780</b>	<b>2,502,188</b>	<b>953,904</b>
<b>Operating Expenses:</b>				
Resale Purchases	-	-	977,400	421,186
Employee Services	140,007	115,225	222,609	193,831
Contract Services	67,677	85,865	118,579	99,847
Supplies	39,866	21,428	100,546	69,862
Repairs and Improvements	64,009	65,863	12,024	30,739
Utilities	33,285	76,473	7,906	2,994
Miscellaneous	560	(95)	9,621	12,807
Depreciation	79,884	20,206	217,139	12,684
<b>Total Operating Expenses</b>	<b>425,288</b>	<b>384,965</b>	<b>1,665,824</b>	<b>843,950</b>
<b>Operating Income (Loss)</b>	<b>(71,878)</b>	<b>250,815</b>	<b>836,364</b>	<b>109,954</b>
<b>Non-Operating Income (Expense):</b>				
Interest Income	128	955	-	-
Gain on Sale of Fixed Assets	-	-	-	-
Other Non-operating Revenues (Expenses)	10,890	909	14,774	3,396
Interest Expense	-	(18,047)	(283,347)	-
<b>Total Non-Operating Income (Expenses)</b>	<b>11,018</b>	<b>(16,183)</b>	<b>(268,573)</b>	<b>3,396</b>
<b>Income (Loss) Before Transfers</b>	<b>(60,860)</b>	<b>234,632</b>	<b>567,791</b>	<b>113,350</b>
<b>Transfers In</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Transfers Out</b>	<b>-</b>	<b>-</b>	<b>(965,492)</b>	<b>(46,000)</b>
<b>Change in Net Position</b>	<b>(60,860)</b>	<b>234,632</b>	<b>(397,701)</b>	<b>67,350</b>
<b>Net Position - Beginning</b>	<b>296,270</b>	<b>653,602</b>	<b>4,054,143</b>	<b>1,018,029</b>
<b>Prior Period Adjustment</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net Position -Beginning, as restated</b>	<b>296,270</b>	<b>653,602</b>	<b>4,054,143</b>	<b>1,018,029</b>
<b>Net Position - Ending</b>	<b>\$ 235,410</b>	<b>\$ 888,234</b>	<b>\$ 3,656,442</b>	<b>\$ 1,085,379</b>



Business Type Activities				Governmental
Telephone Utility	Cable/Internet Utility	Nonmajor	Total	Activities Internal Service
		Solid Waste Utility		
\$ 392,951	\$ 979,032	\$ 230,355	\$ 6,047,620	\$ 195,130
392,951	979,032	230,355	6,047,620	195,130
40,045	431,715	208,275	2,078,621	-
84,821	36,329	7,612	800,434	4,399
313,096	233,234	12,484	930,782	22,709
10,200	10,899	31	252,832	-
4,160	10,729	11	187,535	59,222
22,829	-	245	143,732	-
7,559	3,674	-	34,126	-
26,403	22,409	-	378,725	149,785
509,113	748,989	228,658	4,806,787	236,115
(116,162)	230,043	1,697	1,240,833	(40,985)
-	-	-	1,083	905
-	-	-	-	19,763
(475)	(2,460)	434	27,468	-
-	-	-	(301,394)	-
(475)	(2,460)	434	(272,843)	20,668
(116,637)	227,583	2,131	967,990	(20,317)
190,366	-	-	190,366	37,492
-	(226,366)	(55,282)	(1,293,140)	-
73,729	1,217	(53,151)	(134,784)	17,175
199,450	1,190,793	170,291	7,582,578	1,840,387
-	(52,662)	(10,916)	(63,578)	-
199,450	1,138,131	159,375	7,519,000	1,840,387
\$ 273,179	\$ 1,139,348	\$ 106,224	\$ 7,384,216	\$ 1,857,562

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

	<b>Business Type Activities</b>		
	<b>Water Utility</b>	<b>Waste Water Treatment Utility</b>	<b>Electric Utility</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 345,462	\$ 565,992	\$ 2,498,996
Cash Received from Interfund Services Provided	-	-	-
Cash Paid to Suppliers for Goods and Services	(219,051)	(235,616)	(1,185,092)
Cash Paid to Employees for Services	(132,769)	(113,884)	(237,137)
Other Nonoperating Income/(Expense)	10,890	909	14,774
Net Cash Provided (Used) by Operating Activities	4,532	217,401	1,091,541
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	(11,713)	(2,614,200)	(1,254,761)
Proceeds from Sales of Fixed Assets	-	-	-
Special Assessment Receipts	1,291	-	-
Principal Paid on Notes and Bonds	-	-	(345,000)
Capital Debt Proceeds	-	2,586,006	2,340,000
Premium on Capital Debt Issued	-	-	143,525
Interest Paid on Notes and Bonds	-	(15,222)	(277,318)
Net Cash Provided (Used) by Capital and Related Financing Activities	(10,422)	(43,416)	606,446
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Operating Transfers to Other Funds	-	-	(965,492)
Operating Transfers From Other Funds	-	-	-
Advances to Other Funds	-	17,576	-
Due From (To) Other Funds	5,762	(38,486)	513,386
Net Cash Provided (Used) for Non-Capital Financing Activities	5,762	(20,910)	(452,106)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends on Investments	128	1,403	-
Net Cash Provided for Investing Activities	128	1,403	-
Net Increase (Decrease) in Cash and Cash Equivalents	-	154,478	1,245,881
Cash and Cash Equivalents at Beginning of Year	-	-	2,158,338
Cash and Cash Equivalents at End of Year	\$ -	\$ 154,478	\$ 3,404,219

Business Type Activities					Governmental Activities
Gas Utility	Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Internal Service
\$ 997,293	\$ 399,486	\$ 984,228	\$ 219,168	\$ 6,010,625	\$ -
(623,136)	(400,976)	(694,432)	(235,790)	(3,594,093)	195,130
(183,183)	(81,734)	(34,355)	(7,361)	(790,423)	(121,830)
3,396	(475)	(2,460)	434	27,468	-
194,370	(83,699)	252,981	(23,549)	1,653,577	73,300
(120,440)	-	-	-	(4,001,114)	(400,499)
-	-	-	-	1,291	21,700
-	-	-	-	(345,000)	-
-	-	-	-	4,926,006	-
-	-	-	-	143,525	-
(120,440)	-	-	-	(292,540)	-
(46,000)	-	(226,366)	(55,282)	(1,293,140)	-
-	190,366	-	-	190,366	37,492
-	(104,900)	-	-	(87,324)	13,001
(46,000)	85,466	(226,366)	(55,282)	(709,436)	50,493
-	-	-	-	1,531	905
-	-	-	-	1,531	905
27,930	1,767	26,615	(78,831)	1,377,840	(254,101)
952,038	11,343	839,427	114,155	4,075,301	1,025,670
\$ 979,968	\$ 13,110	\$ 866,042	\$ 35,324	\$ 5,453,141	\$ 771,569

(Continued)

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS (Continued)**  
**Proprietary Funds**  
**For the Year Ended June 30, 2020**

	Business Type Activities		
	Water Utility	Waste Water Treatment Utility	Electric Utility
Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Operating Income (Loss)	\$ (71,878)	\$ 250,815	\$ 836,364
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:			
Depreciation	79,884	20,206	217,139
Miscellaneous Non-Operating Income/(Expense)	10,890	909	14,774
(Increase) Decrease in Assets:			
Accounts Receivable	(13,898)	(54,019)	(119,011)
Estimated Unbilled Usage	(7,425)	(25,710)	(34,597)
Inventories	(12,264)	-	(4,426)
Prepaid Expenses	(2,437)	(1,464)	17,433
Increase (Decrease) in Liabilities			
Accounts Payable	1,071	15,382	25,694
Accrued Wages	977	442	2,165
Accrued Compensated Absences	432	29	1,877
Accrued Expenses	(24)	-	2,283
Unearned Revenue	13,375	9,941	150,416
Net Pension Liability	(150)	(4,094)	(53,862)
Deferred Outflows of Resources	591	1,780	20,677
Deferred Inflows of Resources	5,013	3,041	14,451
OPEB Liability	375	143	164
Customer Deposits	-	-	-
Total Adjustments	76,410	(33,414)	255,177
Net Cash Provided (Used) by Operating Activities	\$ 4,532	\$ 217,401	\$ 1,091,541

**Reconciliation of Cash and Cash Equivalents  
to the Balance Sheet:**

Cash and Cash Equivalents	\$ -	\$ 154,478	\$ 2,556,131
Customer Deposits	-	-	-
Restricted Cash and Cash Equivalents	-	-	848,088
	\$ -	\$ 154,478	\$ 3,404,219

Business Type Activities					Governmental Activities
Gas Utility	Telephone Utility	Cable/Internet Utility	Nonmajor Solid Waste Utility	Total	Internal Service
\$ 109,954	\$ (116,162)	\$ 230,043	\$ 1,697	\$ 1,240,833	\$ (40,985)
12,684	26,403	22,409	-	378,725	149,785
3,396	(475)	(2,460)	434	27,468	-
(58,448)	4,768	5,256	(11,305)	(246,657)	-
(2,923)	-	-	(4,015)	(74,670)	-
9,320	(260)	(1,785)	-	(9,415)	-
(3,998)	(4,341)	(669)	(856)	3,668	-
8,391	1,060	(1,700)	(13,866)	36,032	(35,500)
813	1,328	313	-	6,038	-
3,284	(679)	(1,930)	251	3,264	-
586	454	(27)	(22)	3,250	-
109,169	-	-	4,133	287,034	-
(135)	(10,710)	1,991	-	(66,960)	-
659	4,665	(491)	-	27,881	-
5,692	8,037	2,013	-	38,247	-
335	446	78	-	1,541	-
(4,409)	1,767	(60)	-	(2,702)	-
84,416	32,463	22,938	(25,246)	412,744	114,285
\$ 194,370	\$ (83,699)	\$ 252,981	\$ (23,549)	\$ 1,653,577	\$ 73,300
\$ 932,277	\$ -	\$ 866,042	\$ 35,324	\$ 4,544,252	\$ 771,569
47,691	13,110	-	-	60,801	-
-	-	-	-	848,088	-
\$ 979,968	\$ 13,110	\$ 866,042	\$ 35,324	\$ 5,453,141	\$ 771,569

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**Fiduciary Funds**  
**June 30, 2020**

	<div>Pension Trust Fund</div> <div>Police Retirement Fund</div>		Agency Funds	Total
<b>ASSETS</b>				
Cash and Pooled Investments	\$ 4,661	\$ 5,348	\$ 10,009	
<b>Total Assets</b>	<u>4,661</u>	<u>5,348</u>	<u>10,009</u>	
<b>LIABILITIES</b>				
Due to Other Governments	-	5,348	5,348	
<b>Total Liabilities</b>	<u>-</u>	<u>5,348</u>	<u>5,348</u>	
<b>NET POSITION</b>				
Restricted - Held in Trust for Pension Benefits	<u>4,661</u>	-	<u>4,661</u>	
<b>Total Net Position</b>	<u>\$ 4,661</u>	<u>\$ -</u>	<u>\$ 4,661</u>	

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**Fiduciary Funds**  
**For the Year Ended June 30, 2020**

	<b>Pension Trust Fund Police Retirement Fund</b>
<b>ADDITIONS</b>	
Contributions:	
Employer	\$ 13,211
<b>Total Additions</b>	<b>13,211</b>
<b>DEDUCTIONS</b>	
Pension Benefits	13,211
<b>Total Deductions</b>	<b>13,211</b>
<b>Net Increase</b>	<b>-</b>
<b>Net Position-- Beginning of Period</b>	<b>4,661</b>
<b>Net Position -- End of Period</b>	<b>\$ 4,661</b>

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**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Hawarden is a political subdivision of the State of Iowa located in Sioux County. It was first incorporated in 1887 and operates under the Mayor-Council form of government with the Mayor and Council elected on a non-partisan basis. The City administers the following programs under its charter: public safety, public works, health and social services, culture and recreation, community and economic development and general government. It also provides water, sewer, electric, gas, sanitation utilities, telephone, and cable/internet services.

The financial statements of the City of Hawarden have been prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

**A. Reporting Entity**

For financial reporting purposes, the City of Hawarden has included all funds, organizations, account groups, agencies, boards, commissions and authorities. The City has also considered all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

These financial statements present the City of Hawarden (the primary government) and its component unit. The component unit discussed below is included in the City's reporting entity because of the significance of its financial relationship with the City. Complete financial statements of the individual component unit, which issued separate financial statements as noted below, can be obtained from their administrative offices.

Discretely Presented Component Unit – Hawarden Regional Healthcare is organized under Chapter 392 of the Code of Iowa and governed by a five member Board of Trustees elected for four year terms. The City of Hawarden annually provides significant operating subsidies to the Hospital. In accordance with criteria set forth by the Governmental Accounting Standards Board. The Hospital meets the definition of a component unit which should be discretely presented. The Hospital is accounted for using enterprise fund accounting in these financial statements. Complete financial statements are on file at the hospital.

Jointly Governed Organizations – The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete. City officials are members of the following boards and commissions: Sioux County Conference Board, Sioux County Emergency Management Commission and Sioux County Joint E911 Service Board.

**B. Basis of Presentation**

Government-wide Financial Statements – The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which are supported by property tax and

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Net Position presents the City's nonfiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories.

*Net investment in capital assets* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net position* results when constraints placed on net position use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net position* consists of net position not meeting the definition of the two preceding categories. Unrestricted net position often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants and contributions restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

The City does not allocate indirect costs. Certain expenses of the City are accounted for through the internal service fund on a cost-reimbursement basis.

**Fund Financial Statements** – Separate financial statements are provided for governmental and proprietary funds. Major individual governmental, the City's capital equipment internal service fund, and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reported the following major governmental funds.

The General Fund is the general operating fund of the City. All general tax revenues and other revenues not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue Tax Increment Financing Fund is used to account for funds provided to private companies for economic development and related tax revenues from the tax increment financing district.

The Debt Service Fund is used to account for property tax and other revenues to be used for the payment of interest and principal on the City's general long-term debt.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

The Downtown Capital Project fund is used to account for all resources used in the acquisition and construction of capital facilities in downtown.

The City reports the following major proprietary funds:

The Water Fund accounts for the operation of a municipally owned water system, which provides services to the residents of the City.

The Waste Water Fund accounts for the operation of a municipally owned sewage collection and treatment facility, which provides services to the residents of the City.

The Electric Fund accounts for the operation of a municipally owned electric system, which distributes electrical power to the residents of the City.

The Gas Fund accounts for the operation of a municipally owned natural gas system, which distributes natural gas to the residents of the City.

The Telephone Fund accounts for the operation of a municipally owned telephone system, providing telephone service to residents of the City.

The Cable/Internet Fund accounts for the operation of a municipally owned cable/internet system which provides cable/internet service to residents of the City.

Internal Service Fund – The capital equipment fund and the self-insurance fund are used to account for the financing of goods and services to other departments of the City on a cost-recovery basis. This fund is presented in the proprietary fund financial statements. Because the principal users of these funds are the City's governmental activities, the financial statements of the fund are consolidated into the governmental column when presented in the government-wide financial statements.

Fiduciary Fund Types – These funds account for assets held by the government in a trustees capacity or as an agent on behalf of others. Trust funds account for assets held by the government under the terms of a formal trust agreement.

- 1) Pension Trust Fund – The Police Retirement Fund represents the resources accumulated to fund police retirements. These funds are accounted for on the flow of economic resources measurement focus and use the accrual basis of accounting, so that revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.
- 2) Agency Funds – The Flex Spending Fund is used to account for funds withheld from the checks of city employees for qualified expenses. The Community Projects Fund accounts for funds received by various organizations within the community and held until a specific project is completed by those organizations.

**C. Measurement Focus and Basis of Accounting**

The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers property taxes to be available if they are collected within 60 days after year end. A one-year availability period is used for revenue recognition for all other governmental fund revenues.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt are reported as other financing sources.

When an expenditure is incurred in governmental funds which can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the expenditure toward restricted fund balance and then to less-restrictive classifications-committed, assigned and then unassigned fund balances.

Property tax, local option sales tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest are considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's Enterprise Funds are charges to customers for sales and services. Operating expenses for Enterprise Funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City maintains its financial records on the cash basis. The annual financial statements of the City are prepared by making memorandum adjusting entries to the cash basis financial records.

**D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Equity**

The following accounting policies are followed in preparing the financial statements:

Cash, Investments and Cash Equivalents – The cash balances of most City funds are pooled and invested in money market checking accounts. Interest earned on those investments is recorded in the General Fund unless otherwise provided by law. Other investments held by specific funds consist of non-negotiable certificates of deposit which are stated at cost or U.S. government securities stated at fair value determined by quoted market prices or in the Iowa Public Agency Investment trust stated at fair value determined by current share prices.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

For the purposes of the Statement of Cash Flows, all short-term cash investments that are highly liquid (including restricted assets) are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable, Including Tax Increment Financing – Property tax, including tax increment financing, in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the City to the County Board of Supervisors. Current year property tax receivable represent taxes collected by the County but not remitted to the City at June 30, 2020 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the City to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the City is required to certify its budget to the County Auditor by March 15 of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is presented as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenues recognized in these funds become due and collectible in September and March of the current fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2018 assessed property valuations; is for the tax accrual period July 1, 2019 through June 30, 2020 and reflects tax asking contained in the budget certified to the County Board of Supervisors March 2019

Customer Accounts and Unbilled Usage – Accounts receivable are recorded at the time the service is billed, net of an allowance for doubtful accounts of \$30,687 at June 30, 2020. Unbilled usage, recorded in the Enterprise Funds for service consumed between periodic scheduled billing dates, is estimated and is recognized as revenue in the period in which the service is provided.

Also, the Hawarden Regional Healthcare's accounts receivable consists of patient receivables net of allowances for uncollectibles of \$438,084 and estimated third-party contractual adjustments of \$352,000 at June 30, 2020.

Due From Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Due From and Due to Other Funds – During the course of its operations, the City has numerous transactions between funds. To the extent that certain transactions between funds had not been paid or received as of June 30, 2020, the balance of interfund amounts payable or receivable have been recorded in the fund financial statements.

Advances From and To Other Funds – Advances are long-term borrowings between funds which are repaid over time plus interest.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Inventories – Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories in the Enterprise Funds consist of material and supplies. Inventories are recorded as expenses when consumed rather than when purchased.

Restricted Assets – Proceeds from debt and funds set aside for payment of enterprise fund revenue bonds are classified as restricted assets since their use is limited by applicable bond indentures. Customer deposits are monies paid by customers and held by the City until future refunding or application to an unpaid account balance. The principal portion of Donor Restricted Endowments are also classified as restricted assets, as only the interest earned on these assets may be expended.

Capital Assets – Capital assets, which include property, equipment and vehicles and infrastructure assets (e.g. roads, curbs, gutters) are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Position. Capital assets are recorded at historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value. Acquisition value is the price that would have been paid to acquire a capital asset with equivalent service potential. The costs of normal maintenance and repair not adding to the value of the asset or materially extending asset lives are not capitalized. Roads have been capitalized using estimated historical cost beginning in 1980 as required by GASB 34. Reportable capital assets are defined by the City as assets with initial, individual costs in excess of the following thresholds.

<u>Asset Class</u>	<u>Amount</u>
General Fixed Assets	\$ 2,000
Utility Fixed Assets	5,000
Infrastructure	50,000

Capital assets of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	30 – 100 years
Improvements other than buildings	15 – 40 years
Vehicles	5 – 10 years
Equipment	5 – 20 years
Infrastructure	50 – 100 years

Deferred Outflow of Resources – Deferred outflows of resources represent a consumption of net position that applies to a future period(s) which will *not* be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the employer after the measurement date but before the end of the employer's reporting period. The City's component unit, Hawarden Regional Healthcare, has intangible assets that also qualify for reporting in this category.

Compensated Absences – City employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, death or retirement. A liability is recorded for this time and any related benefits when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2020. The compensated absences liability attributable to the governmental activities will be paid by the General Fund.

Long-Term Liabilities – In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business type activities column in the Statement of Net Position and the proprietary fund Statement of Net Position.

In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Pensions – For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Iowa Public Employees' Retirement System (IPERS) and additions to / deductions from IPERS' fiduciary net position have been determined on the same basis as they are reported by IPERS. For this purpose, benefit payments, including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. The net pension liability attributable to the governmental activities will be paid primarily by the General Fund.

Total OPEB Liability – For purposes of measuring the total OPEB liability and OPEB expense, information has been determined based on the City of Hawarden's actuary report. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The total OPEB liability attributable to the governmental activities will be paid primarily by the General Fund.

Deferred Inflows of Resources – Deferred inflow of resources, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the fund financial statements consist of property tax receivable and other receivables not collected within sixty days after year end.

Deferred inflows of resources in the Statements of Net Position consist of succeeding year property tax that will not be recognized as revenue until the year for which they are levied and the unamortized portion of the net difference between projected and actual earnings on pension plan investments. The governmental funds also report unavailable revenues from delinquent property taxes and special assessments. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

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**Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

Fund Balance – In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Amounts which cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors or state or federal laws or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts which can be used only for specific purposes pursuant to constraints formally imposed by the City Council through ordinance or resolution approved prior to year end. Those committed amounts cannot be used for any other purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Assigned – Amounts the City intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed.

Unassigned – All amounts not included in other spendable classifications.

Budgets and Budgetary Accounting – The budgetary comparison and related disclosures are reported as Required Supplementary Information. Expenditures for the year ended June 30, 2020 exceeded amounts budgeted in the Health & Social Services, Community and Economic Development, Capital Projects, and Debt Service functions.

**Note 2 - POOLED CASH, INVESTMENTS AND CASH EQUIVALENTS**

The City's deposits in banks at June 30, 2020 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district. The City's investments consist of certificates of deposit and money market funds.

The city had no investments meeting the disclosure requirements of Governmental Accounting Standards Board Statement No. 72.

**Note 3 - ENDOWMENT**

The Marie Gregg / Vipond trust's endowment fund consists of donor designated assets and permanently restricted net position which provide that the principal be invested in perpetuity and the income only be used. As required by generally accepted accounting principles, net position associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.



**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

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**Note 3 - ENDOWMENT – (Continued)**

The City Council has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the City classifies as permanently restricted net position the original value of gifts donated to the permanent endowment, and the original value of subsequent gifts to the permanent endowment. The remaining portion of the donor-restricted endowment fund that is not classified in permanently restricted net position is classified as temporarily restricted net position until those amounts are appropriated for expenditure by the City in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the City considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the City, and (7) the City investment policies.

Spending Funds – Use of the investment income from the assets may be unrestricted and used as the City deems necessary for the purposes for which the original restricted gift was received.

From time to time, the fair value of assets associated with donor-restricted funds may fall below the level that the donor requires the City to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature are reported in unrestricted net position. As of June 30, 2020, the City did not have a deficiency in donor-restricted funds.

Balance:	
Vipond Endowment	\$ 90,000
Gregg Endowment	39,546
Library Gift	5,000
Total Endowment	<u>\$ 134,546</u>

**Note 4 - JOINT VENTURES**

Northwest Iowa Solid Waste - In 1991 the City contributed \$33,776 capital to Northwest Iowa Area Solid Waste Agency for membership in the Agency. Membership provides the City with use of solid waste facilities. In the event of the City's withdrawal from the Agency or dissolution, the City is entitled to the lower of its capital contribution or a share of the Agency's assets based on the City's prorata share of contributions by all municipalities. Complete financial statements can be obtained directly from Northwest Iowa Solid Waste.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 5 - CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2020 was as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 340,534	\$ 73,885	\$ 3,000	\$ 411,419
Construction in Progress	51,709	1,285,922	941,546	396,085
Total capital assets not being depreciated	392,243	1,359,807	944,546	807,504
Capital assets being depreciated:				
Buildings	4,895,012	-	55,290	4,839,722
Improvements other than buildings	1,414,238	966,540	-	2,380,778
Equipment and vehicles	3,544,761	353,336	579,116	3,318,981
Infrastructure, road network	7,817,603	-	-	7,817,603
Total capital assets being depreciated	17,671,614	1,319,876	634,406	18,357,084
Less: Accumulated Depreciation for:				
Buildings	3,050,282	104,104	53,013	3,101,373
Improvements other than buildings	844,822	34,852	-	879,674
Equipment and vehicles	2,681,014	161,465	577,178	2,265,301
Infrastructure, road network	2,676,796	169,491	-	2,846,287
Total Accumulated Depreciation	9,252,914	469,912	630,191	9,092,635
Total capital assets being depreciated, net	8,418,700	849,964	4,215	9,264,449
Governmental activities capital assets, net	\$ 8,810,943	\$ 2,209,771	\$ 948,761	\$ 10,071,953
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	\$ 56,094	\$ -	\$ -	\$ 56,094
Construction in Progress	323,979	4,233,979	1,113,666	3,444,292
Total capital assets not being depreciated	380,073	4,233,979	1,113,666	3,500,386
Capital assets being depreciated:				
Buildings	142,376	-	-	142,376
Utility Plant	20,617,418	1,335,940	14,375	21,938,983
Total capital assets being depreciated	20,759,794	1,335,940	14,375	22,081,359
Less: Accumulated Depreciation for:				
Buildings	121,947	3,276	-	125,223
Utility Plant	13,360,168	375,449	14,375	13,721,242
Total Accumulated Depreciation	13,482,115	378,725	14,375	13,846,465
Total capital assets being depreciated, net	7,277,679	957,215	-	8,234,894
Business-Type activities capital assets, net	\$ 7,657,752	\$ 5,191,194	\$ 1,113,666	\$ 11,735,280

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 5 - CAPITAL ASSETS – (Continued)**

Depreciation expense was charged to functions of the primary government as follows:

**Governmental Activities:**

Culture & Recreation	\$ 87,882
General Government	136,255
Health & Social Services	1,295
Public Safety	52,130
Public Works	192,350
Total depreciation expense – governmental activities	<u>\$ 469,912</u>

The governmental depreciation expense amount shown above includes \$149,785 of depreciation expense from the City's internal service fund which is recorded as a governmental activity on the government-wide statements.

**Business-Type Activities:**

Cable/Internet	\$ 22,409
Electric	217,139
Gas	12,684
Telephone	26,403
Waste Water	20,206
Water	79,884
Total depreciation expense – business type activities	<u>\$ 378,725</u>

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020
<b>Discretely presented component unit</b>				
Capital assets not being depreciated:				
Land	\$ 172,313	\$ -	\$ -	\$ 172,313
Construction-in-Progress	7,248	118,577	(7,248)	118,577
Total capital assets, not being depreciated	<u>179,561</u>	<u>118,577</u>	<u>(7,248)</u>	<u>290,890</u>
Capital assets being depreciated:				
Land Improvements	170,639	59,500	-	230,139
Hospital	13,166,345	17,385	7,248	13,190,978
Fixed Equipment	436,270	-	-	436,270
Major Moveable Equipment	2,113,730	115,229	(7,089)	2,221,870
Electronic health record-non-meaningful use	1,010,654	-	-	1,010,654
Electronic health record-meaningful use	501,840	87,749	-	589,589
Total capital assets being depreciated	<u>17,399,478</u>	<u>279,863</u>	<u>159</u>	<u>17,679,500</u>
Less: Accumulated Depreciation for:				
Land Improvements	47,890	15,667	-	63,557
Hospital	2,432,528	695,045	-	3,127,573
Fixed Equipment	269,655	20,402	-	290,057
Major Moveable Equipment	1,362,540	292,887	(7,089)	1,648,338
Electronic health record-non-meaningful use	120,579	26,658	-	147,237
Electronic health record-meaningful use	395,322	69,213	-	464,535
Total Accumulated Depreciation	<u>4,628,514</u>	<u>1,119,872</u>	<u>(7,089)</u>	<u>5,741,297</u>
Total capital assets being depreciated, net	<u>12,770,964</u>	<u>(840,009)</u>	<u>-</u>	<u>11,938,203</u>
Total capital assets, net	<u>\$ 12,950,525</u>	<u>\$ (721,432)</u>	<u>\$ -</u>	<u>\$ 12,229,093</u>

Total depreciation expense – discretely presented component unit \$ 1,119,872

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 5 - CAPITAL ASSETS – (Continued)**

Reconciliation of Net Investment in Capital Assets:

	Governmental Activities	Business-Type Activities	Component Unit
Land	\$ 411,419	\$ 56,094	\$ 172,313
Construction-in-Progress	396,085	3,444,292	118,577
Capital Assets (net of accumulated depreciation)	9,264,449	8,234,894	11,938,203
Unspent Bond Proceeds		1,316,207	
Less:			
General Obligation Bonds Payable	647,554	-	-
Revenue Bonds	-	9,796,257	-
Note Payables	-	-	8,564,636
	<u>\$ 9,424,399</u>	<u>\$ 3,255,230</u>	<u>\$ 3,664,457</u>

**Note 6 - CHANGES IN LONG-TERM LIABILITIES**

A summary of changes in long-term liabilities for the year ended June 30, 2020 is as follows:

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Due Within One Year
Governmental activities:					
Compensated Absences	\$ 40,328	\$ 38,673	\$ 40,328	\$ 38,673	\$ 7,735
General Obligation Bonds/Notes	755,000	-	120,000	635,000	120,000
General Obligation Bond Premiums	13,401	-	847	12,554	-
Net Pension Liability	510,098	-	33,695	476,403	-
Total OPEB Liability	11,483	2,183	-	13,666	-
	<u>\$ 1,330,310</u>	<u>\$ 40,856</u>	<u>\$ 194,870</u>	<u>\$ 1,176,296</u>	<u>\$ 127,735</u>

Business type activities:					
Revenue Notes	\$ 4,995,000	\$ 2,340,000	\$ 345,000	\$ 6,990,000	\$ 375,000
Revenue Notes – Direct Borrowing	-	2,586,006	-	2,586,006	160,450
Revenue Notes Premiums	76,726	154,825	11,300	220,251	-
Compensated Absences	39,987	43,251	39,987	43,251	8,650
Net Pension Liability	401,058	-	66,960	334,098	-
Total OPEB Liability	9,773	1,541	-	11,314	-
	<u>\$ 5,522,544</u>	<u>\$ 5,125,623</u>	<u>\$ 463,247</u>	<u>\$ 10,184,920</u>	<u>\$ 544,100</u>

	Balance July 1, 2019	Increases	Decreases	Balance June 30, 2020	Due Within One Year
Discretely Presented Component Unit:					
Interest Free Loan Financed by Seller					
- Direct Borrowing	\$ 150,000	\$ -	\$ 150,000	\$ -	\$ -
Capital Lease Obligations	34,126	-	9,682	24,444	9,680
Northwest REC Loan – Direct Borrowing	360,000	-	90,000	270,000	90,000
USDA Note Payable – Direct Borrowing	8,497,750	-	227,558	8,270,192	228,167
Payroll Protection Program – Direct Borrowing	-	949,200	-	949,200	359,723
Net Pension Liability	2,886,684	-	15,810	2,870,874	-
	<u>\$11,928,560</u>	<u>\$ 949,200</u>	<u>\$ 493,050</u>	<u>\$12,384,710</u>	<u>\$ 687,570</u>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 6 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

General Obligation Bonds/Notes

One issue of unmatured general obligation bond/note, totaling \$635,000 is outstanding at June 30, 2020. The general obligation bond/note bears interest at 2.56% and matures in varying annual amounts, ranging from \$120,000 to \$135,000, with the final maturity due in the year ending June 1, 2025.

On July 9, 2014 the city issued \$1,210,000 of general obligation corporate purpose bonds series 2014A with an average interest rate of 2.56%, with annual maturities from June 2017 through 2025. The net proceeds were used to fund the 16<sup>th</sup> Street Project.

The general obligation bonds outstanding on the Statement of Net Position are shown net of bond premiums of \$12,554. The debt service fund is used to pay all general obligation debt.

Details of general obligation bonds/notes payable at June 30, 2020 are as follows:

	Date of Issue	Interest Rates	Final Due Date	Annual Payments	Amount Originally Issued	Outstanding June 30, 2020
Governmental Activities:						
General obligation bonds/notes:						
General Corporate Purpose	July 9, 2014	2.56%	June 1, 2025	\$110,000-135,000	\$ 1,210,000	\$ 635,000
						<u>\$ 635,000</u>

A summary of the annual general obligation bond/note principal and interest requirements to maturity by year is as follows:

Year Ending June 30	Principal	Interest	Total
2021	\$ 120,000	\$ 17,225	\$ 137,225
2022	125,000	14,825	139,825
2023	125,000	11,700	136,700
2024	130,000	7,950	137,950
2025	135,000	4,050	139,050
Total	<u>\$ 635,000</u>	<u>\$ 55,750</u>	<u>\$ 690,750</u>

Revenue Notes

The City has pledged income derived from the acquired or constructed asset to pay debt service.

On May 5, 2016, the City issued \$2,890,000 of electric revenue improvements bonds, Series 2016 with annual maturities from June 2017 through 2034. The net proceeds were used to fund the electric utility underground project.

On October 27, 2016, the City issued \$2,655,000 of Electric Revenue Refunding Bonds, Series 2016 with interest rates ranging from 2.00% to 2.75%, with annual maturities from June 2019 through June 2031. The net proceeds were used to crossover refund the Series 2011 Electric Revenue Improvement and Refunding Bonds, which reduced future debt service payments. The crossover date was in June 2018. This refunding issue resulted in a future cash flow savings of \$147,155 and the present value of the savings totaled \$124,426

On September 12, 2019, the City issued \$2,340,000 of Electric Revenue Improvements Bonds, Series 2019 with annual maturities from June 2020 through 2039. The net proceeds were used to fund transmission upgrades and the South Feeder Loop.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 6 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

The City issued \$3,510,000 Taxable Sewer Revenue Capital Loan Notes, a direct borrowing from the Iowa Finance Authority during fiscal year 2020. The revenue note is subject to optional redemption by the City at a price of par plus accrued interest on any date with the prior written consent of the issuer, or if all or substantially all of the project is damaged or destroyed. The note is subject to mandatory redemption if costs of the project are less than initially projected, in which case the amount of the loan shall be reduced to an amount equal to the actual project costs disbursed. Whenever an event of default occurs, the issuer shall have the right to take any action authorized under the loan agreement. The proceeds will be used for the improvements to the waste treatment plant. The City had drawdowns of \$2,586,000 as of June 30, 2020. Repayment of this note will begin in fiscal year 2021.

There are a number of limitations and restrictions contained in the revenue bond indenture summary. The reserve requirements are as follows:

<u>Enterprise</u>	<u>Type of Account</u>	<u>Required Balance June 30, 2020</u>	<u>Actual Balance June 30, 2020</u>
Electric	Electric Revenue Sinking Fund	\$ 48,963	\$ 48,963
Electric	Bond and Interest Reserve	699,000	699,000
Electric	Bond Improvement	100,000	100,125

These amounts are classified as restricted assets on the combined balance sheet.

Details of revenue notes payable at June 30, 2020 are as follows:

<u>Business Type Activities</u>	<u>Date of Issue</u>	<u>Interest Rates</u>	<u>Final Due Date</u>	<u>Annual Payments</u>	<u>Amount Originally Issued</u>	<u>Outstanding June 30, 2019</u>
Revenue Notes:						
Electric Improvements	May 5, 2016	1-4%	June 1, 2034	\$ 85,000-415,000	\$ 2,890,000	\$ 2,290,000
Electric Revenue Refunding	October, 27, 2016	2.00-2.75%	June 1, 2031	180,000-235,000	2,655,000	2,420,000
Transmission Upgrades/ South Feeder Loop	September 12, 2019	3.00-4.00%	June 1, 2039	60,000-160,000	2,340,000	2,280,000
Sewer Improvements – Direct Borrowing	August 30, 2019	1.75%	June 1, 2040	145,000-211,000	2,586,006	2,586,006
						\$ 9,576,006

The revenue notes outstanding on the Statement of Net Position are shown net of unamortized bond premiums of \$220,251.

A summary of the annual revenue note principal, interest, and fee requirements to maturity is as follows:

<u>Year Ending June 30</u>	<u>Principal</u>	<u>Direct Borrowing Principal</u>	<u>Interest</u>	<u>Direct Borrowing Interest</u>	<u>Total</u>	<u>Direct Borrowing Total</u>
2021	\$ 375,000	\$ 160,450	\$ 212,553	\$ 37,225	\$ 587,553	\$ 197,675
2022	380,000	163,000	204,103	38,999	584,103	201,999
2023	395,000	164,000	195,553	37,108	590,553	201,108
2024	395,000	166,000	186,650	35,205	581,650	201,205
2025	410,000	167,000	176,800	33,280	586,800	200,280
2026-2030	2,210,000	865,000	706,228	136,949	2,916,228	1,001,949
2031-2035	2,215,000	900,556	326,488	86,143	2,541,488	986,699
2036-2040	610,000	-	45,843	-	655,843	-
Total	\$ 6,990,000	\$ 2,586,006	\$ 2,054,218	\$ 404,909	\$ 9,044,218	\$ 2,990,915

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

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**Note 6 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

Discretely presented component unit:

Note Payable (Asset Purchase Agreement) – Direct Borrowing

On May 8, 2013, the Hospital entered into an asset purchase agreement with Therapeutic Health Services, Inc (THS), a provider of physical and occupational health services and home health services in Northwest Iowa. The agreement was for the purchase of all contracts and contract rights of THS, equipment, fixtures, office equipment owned and utilized by THS in connection with the aforementioned contracts, inventory and therapy supplies used in connection with the contracts, and service records, marketing material and agreements relating to the acquired contracts and medical practice. The THS agreement included a noncompete clause for the term of the payment period. The purchase agreement was for \$850,000 with the first payment of \$75,000 paid upon the closing of the agreement. Subsequent payments are due on January 10 of each year for varying amounts. The final payment in the amount of \$150,000 was paid on January 10, 2020.

Lease Obligation Note

The Hospital has entered into a capital lease obligation at imputed interest rates between 0.00% and 4.75%. Monthly payments between \$807 and \$975 are to be made through December 2022, and are collateralized by leased equipment with a cost of \$81,065.

Construction Payable – Direct Borrowing

On August 21, 2014, the Hospital issued Hospital Revenue Bond Anticipation Project Notes, Series 2014A and 2014B with a local financial institution to provide interim financing up to \$5,500,000 during the construction phase of the hospital capital project. On December 3, 2015, the hospital issued Hospital Revenue Bond Anticipation Notes, Series 2015A, 2015B, and 2015C with a local financial institution to provide additional financing up to \$6,153,254 during the construction project. The principal amount of the Series 2014A, 2014B, and 2015A, 2015B, and 2015C notes were paid off with a direct USDA loan when the project was completed. Interest only payments were paid on the outstanding principal balance during the construction phase at a rates ranging from 2.95% to 4.00%

The Hospital issued USDA Direct Loans with proceeds of \$8,833,227 to pay off the Series 2014A, 2014B, 2015A, 2015B, and 2015C bonds used to fund the expansion project during construction. A \$1,000 draw was completed in December 2017 to lock in the interest rate of 2.375% for the 30 year amortization period. The Loans are due on December 21, 2046.

Rural Economic Development Loan – Direct Borrowing

On September 23, 2016, the Hospital entered into a Rural Economic Development Loan with North West Rural Electric Cooperative to provide financing of \$360,000 for the Hospital's capital project. Principal payments will be deferred for two years, without interest. Annual installments of \$90,000 will begin at the end of the third year following the date of the first advance of funds. The first installment in the amount of \$90,000 was paid in April 2020.

Payroll Protection Program – Direct Borrowing

\$949,200 1% Small Business Administration (SBA) Paycheck Protection Program loan, payable in monthly installments of \$52,733, beginning December 2020 and due through May 2022. The Hospital is eligible for loan forgiveness of up to 100% of the loan and accrued interest, upon meeting certain requirements. The Hospital intends to take measures to maximize loan forgiveness but cannot reasonably determine the portion of the loan that will be ultimately forgiven. The Hospital has recorded a note payable and will record the forgiveness upon being

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 6 - CHANGES IN LONG-TERM LIABILITIES – (Continued)**

legally released from the loan obligation by the SBA. No forgiveness income has been recorded for the year ended June 30, 2020. The Hospital will be required to repay any remaining balance, plus accrued interest at 1%, in monthly payments commencing upon notification of forgiveness or partial forgiveness.

Scheduled principal and interest repayments on the Hospital's long-term debt are as follows:

	<u>Total Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 687,570	\$ 193,717
2022	922,575	188,468
2023	334,102	182,864
2024	244,759	177,125
2025	250,636	171,248
2026-2030	1,346,389	763,031
2031-2035	1,515,975	593,445
2036-2040	1,706,922	402,498
2041-2045	1,921,919	187,501
2046-2047	582,989	10,371
	<u>\$ 9,513,836</u>	<u>\$ 2,870,268</u>

**Note 7 - INTERFUND TRANSFERS**

The detail of interfund transfers for the year ended June 30, 2020 is as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
General	Special Revenue:	
	Tax Increment Financing	\$ 137,096
	Enterprise	
	Electric	38,000
	Gas	36,000
	Cable	36,000
		<u>247,096</u>
Debt Service	Special Revenue:	
	Tax Increment Financing	399,576
	Non-Major Governmental	132,281
		<u>531,857</u>
Capital Projects		
Downtown Project	Electric	900,000
Telephone	Cable	190,366
Non-Major Funds	General	147,645
	Enterprise:	
	Electric	10,000
	Gas	10,000
	Non-Major Enterprise	55,282
		<u>222,927</u>
Internal Service	General	20,000
	Electric	17,492
		<u>37,492</u>
Total Transfers		<u>\$ 2,129,738</u>

Transfers are used to move resources from the fund statutorily required to collect the resources to the fund statutorily required to expend the resources, as well as to move resources from the business-type activities to governmental funds to help finance general governmental operations.



**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 8 – INTERNAL BALANCES**

During the course of its operations, the City has numerous transactions between funds to finance operations, provide services, construct assets, and service debt. To the extent that certain transactions between funds have not been paid or received as of June 30, 2020, balances of interfund amounts payable or receivable have been recorded as "due to other funds" and "due from other funds", respectively. Any residual balances outstanding between governmental activities and business-type activities are reported in the government-wide financial statements as interfund balances.

The detail of short-term interfund receivables and payables at June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise		
Electric	Debt Service	\$ 5,067
	Downtown Project	41,171
	Non-Major Governmental Funds	70,031
	Enterprise:	
	Water	241,122
	Telephone	290,956
		<u>\$ 648,347</u>

The detail of long-term advances to and from other funds at June 30, 2020 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Enterprise:	Special Revenue:	
Wastewater	Tax Increment Financing	\$ 18,476
		<u>\$ 18,476</u>

**Note 9 - RISK FINANCING**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees and natural disasters. During the 2019-2020 fiscal year the City has elected to purchase commercial insurance to cover against the risk of loss. There have been no settlements that exceeded insurance coverage during the last three fiscal years.

Beginning July 1, 2013, the City began to operate a medical expense reimbursement plan. Under the plan, the City currently purchases a fully insured high deductible healthcare plan and self-funds the deductible and out of pocket maximum down to a lower deductible and out of pocket maximum for employees. A portion of the premium savings between the purchased plan and the employee plan is used to fund the claims for employees who exceed their lower deductible plan. The City's risk is limited to the difference between the out of pocket maximums of the two plans.

Any claims payable, including claims incurred but not yet reported, are determined by the City's management and would be recorded in the accompanying financial statements. At June 30, the City reported a claims balance of \$0.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 10 - PENSION PLAN**

**Summary of Significant Accounting Policies & Pensions Totals**

The financial statements of the Iowa Public Employees' Retirement System (IPERS), and the Police Retirement System (PRS) are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions to each plan are recognized when due and the employer has made a formal commitment to provide contributions. Benefits, refunds and annuities are recognized when due and payable in accordance with the terms of each plan.

**Pension Totals**

At June 30, 2020, the City recognized the following amounts related to pensions in financial statements prepared using the economic resources measurement focus and accrual basis of accounting (expressed in thousands):

	Defined Benefit		Single Employer	Total
	Cost-Sharing, Multiple Employer	IPERS – Discretely Presented Component Units		
	IPERS – Primary Government		PRS – Primary Government	
Net Pension Liability	\$ 737.8	\$ 2,870.9	\$ 72.7	\$ 3,681.4
Deferred Outflows of Resources	244.4	965.3	-	1,209.7
Related to Pensions				
Deferred Inflows of Resources	164.2	457.7	-	621.9
Related to Pensions				
Pension Expense for the Period	165.5	683.9	13.1	862.5
Associated with Net Pension Liabilities				

**Iowa Public Employees' Retirement System (IPERS)**

*Plan description* – IPERS membership is mandatory for employees of the City, except for those covered by another retirement system. Employees of the City are provided with pensions through a cost-sharing multiple employer defined benefit pension plan administered by Iowa Public Employees' Retirement System (IPERS). IPERS issues a stand-alone financial report which is available to the public by mail at 7401 Register Drive, P.O. Box 9117, Des Moines, Iowa 50306-9117 or at [www.ipers.org](http://www.ipers.org).

The IPERS benefits are established under Iowa Code chapter 97B and the administrative rules thereunder. Chapter 97B and the administrative rules are the official plan documents. The following brief description is provided for general informational purposes only. Refer to the plan documents for more information.

**Pension Benefits**

A Regular member may retire at normal retirement age and receive monthly benefits without an early-retirement reduction. Normal retirement age is age 65, anytime after reaching age 62 with 20 or more years of covered employment, or when the member's years of service plus the member's age at the last birthday equals or exceeds 88, whichever comes first. These

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
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**Note 10 - PENSION PLAN - (Continued)**

qualifications must be met on the member's first month of entitlement to benefits. Members cannot begin receiving retirement benefits before age 55.

The formula used to calculate a Regular member's monthly IPERS benefit includes:

- A multiplier (based on years of service).
- The member's highest five-year average salary. (For members with service before June 30, 2012, the highest three-year average salary as of that date will be used if it is greater than the highest five-year average salary).

Protection occupation members may retire at normal retirement age which is generally at age 55 and may retire any time after reaching age 50 with 22 or more years of covered employment. The formula used to calculate a protection occupation members' monthly IPERS benefit includes:

- 60% of average salary after completion of 22 years of service, plus an additional 1.5% of average salary for years of service greater than 22 but not more than 30 years of service.
- The member's highest three-year average salary.

If a member retires before normal retirement age, the member's monthly retirement benefit will be permanently reduced by an early-retirement reduction. The early-retirement reduction is calculated differently for service earned before and after July 1, 2012. For service earned before July 1, 2012, the reduction is 0.25% for each month that the member receives benefits before the member's earliest normal retirement age. For service earned starting July 1, 2012, the reduction is 0.50% for each month that the member receives benefits before age 65.

Generally, once a member selects a benefit option, a monthly benefit is calculated and remains the same for the rest of the member's lifetime. However, to combat the effects of inflation, retirees who began receiving benefits prior to July 1990 receive a guaranteed dividend with their regular November benefit payments.

**Disability and Death Benefits**

A vested member who is awarded federal Social Security disability or Railroad Retirement disability benefits is eligible to claim IPERS benefits regardless of age. Disability benefits are not reduced for early retirement. If a member dies before retirement, the member's beneficiary will receive a lifetime annuity or a lump-sum payment equal to the present actuarial value of the member's accrued benefit or calculated with a set formula, whichever is greater. When a member dies after retirement, death benefits depend on the benefit option the member selected at retirement.

**Contributions**

Contribution rates are established by IPERS following the annual actuarial valuation, which applies IPERS' Contribution Rate Funding Policy and Actuarial Amortization Method. Statute limits the amount rates can increase or decrease each year to 1 percentage point. IPERS Contribution Rate Funding Policy requires that the actuarial contribution rate be determined using the "entry age normal" actuarial cost method and the actuarial assumptions and methods approved by the IPERS Investment Board. The actuarial contribution rate covers normal cost plus the unfunded actuarial liability payment based on a 30 year amortization period. The payment to amortize the unfunded actuarial liability is determined as a level percentage of payroll, based on the Actuarial Amortization Method adopted by the Investment Board.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 10 - PENSION PLAN - (Continued)**

In fiscal year 2020, pursuant to the required rate, Regular members contributed 6.29 percent of pay and the City contributed 9.44 percent for a total rate of 15.73 percent. Protective occupation members contributed 6.61 percent of pay and the City contributed 9.91 percent for a total rate of 16.52 percent.

The City's total contributions to IPERS for the year ended June 30, 2020 were \$130,086 and for the component unit total contributions were \$366,737.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2020, the City reported a liability of \$737,805 and the component unit reported \$2,870,874 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The City's proportion of the net pension liability was based on the City's share of contributions to the pension plan relative to the contributions of all IPERS participating employers. At June 30, 2019, the City's collective proportion was 0.0127413 percent, which was a decrease of 0.000464 percent from its proportion measured as of June 30, 2018. The component unit's collective proportion was 0.0495777 percent, which was an increase of 0.003962 percent from its proportion measured as of June 30, 2018.

For the year ended June 30, 2020, the City and component unit recognized pension expense of \$165,507 and \$683,901, respectively. At June 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>City's Share</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 3,745	\$ 28,078
Changes of assumptions	98,578	683
Net difference between projected and actual earnings on IPERS investments	-	110,646
Changes in proportion and differences between City contributions and proportionate share of contributions	11,966	24,772
City contributions subsequent to the measurement date	130,086	-
<b>Total</b>	<b>\$ 244,375</b>	<b>\$ 164,179</b>

  

	<b>Component Unit</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 7,959	\$ 103,222
Changes of assumptions	307,512	-
Net difference between projected and actual earnings on IPERS investments	-	323,513
Changes in proportion and differences between Hospital's contributions and proportionate share of contributions	283,127	31,013
Hospital's contributions subsequent to the measurement date	366,737	-
<b>Total</b>	<b>\$ 965,335</b>	<b>\$ 457,748</b>

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 10 - PENSION PLAN - (Continued)**

\$130,086 and \$366,737 reported as deferred outflows of resources related to pensions resulting from the City and component unit contributions, respectively subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2021.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	City	Component Unit
2021	\$ 16,920	\$ 125,545
2022	(25,631)	(12,051)
2023	(19,611)	18,782
2024	(19,147)	(4,304)
2025	(2,421)	12,878
	\$ (49,890)	\$ 140,850

There were no non-employer contributing entities of IPERS.

*Actuarial assumptions* – The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Rate of Inflation (effective June 30, 2017)	2.60 percent per annum
Rates of Salary Increases (effective June 30, 2017)	3.25 – 16.25 percent average, including inflation. Rates vary by membership group.
Investment Rate of Return (effective June 30, 2017)	7.00 percent per annum, compounded annually, net of investment expense, and including inflation
Wage Growth (effective June 30, 2017)	3.25 percent per annum based on 2.60 percent inflation, and 0.65 percent real wage inflation

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of actuarial experience study dated March 24, 2017 and demographic assumption study dated June 28, 2018.

Mortality rates used in the 2019 valuation were based on the RP-2014 Employee and Healthy Annuitant Tables with MP-2017 generational adjustments.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 10 - PENSION PLAN - (Continued)**

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Core Plus Fixed Income	27%	1.71%
Domestic Equity	22	5.60
International Equity	15	6.08
Private Equity	11	10.13
Private Real Assets	7.5	4.76
Public Real Assets	7	2.81
Public Credit	3.5	3.32
Private Credit	3	3.01
Global Smart Beta Equity	3	5.82
Cash	1	(0.21)
<b>Total</b>	<b>100%</b>	

*Discount rate* – The discount rate used to measure the total pension liability was 7.00 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the contractually required rate and that contributions from the City will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate.* The following presents the City's and component unit's proportionate share of the net pension liability calculated using the discount rate of 7.0 percent, as well as what the City's and component unit's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.0 percent) or 1 percentage point higher (8.0 percent) than the current rate.

	<b>1% Decrease 6.0%</b>	<b>Discount Rate 7.0%</b>	<b>1% Increase 8.0%</b>
Proportionate Share of the Net Pension Liability (Asset)			
City	\$ 1,481,776	\$ 737,805	\$ 113,980
Component Unit	\$ 5,097,746	\$ 2,870,874	\$ 1,002,999

*Pension plan fiduciary net position* – Detailed information about the pension plan's fiduciary net position is available in the separately issued financial report which is available on IPERS' website at [www.ipers.org](http://www.ipers.org).

**Payables to the pension plan**

At June 30, 2020, the component unit reported payables to the defined benefit pension plan of \$81,439 for legally required employer contributions and \$54,264 for legally required employee contributions which had been withheld from employee wages but not yet remitted to IPERS.

**Police Retirement System**

Police Pension - The City maintains a single-employer, defined benefit pension plan (police retirement system), which was organized under Chapter 410 of the Code of Iowa. Police personnel who were in the employment of the City prior to July 1, 1971, are eligible to participate in the plan. Any eligible participant may be entitled to benefits if such member has served 22

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
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**Note 10 - PENSION PLAN - (Continued)**

years or more and shall have reached the age of 50 years; or who shall, while a member of the department, become mentally or physically permanently disabled while performing his duties. The salary benefit is equal to one-half the amount of salary received by him monthly at the date he actually retires from the department. Benefits are increased subsequent to retirement by 50% of any increase in the pension benefits for the rank at which the member retired. In the event of the death of a retired participant, the benefit paid to a surviving spouse is reduced to 50% of the retiree's benefit. Presently, the City has only one individual who qualifies as a participant because of the employment of their spouse prior to July 1, 1971. The payroll for employees covered by the system was \$-0- and the City's total payroll for the police department was \$273,911.

The amount shown below as the Actuarial Accrued Liability is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. This measure is the actuarial present value of credited projected benefits and is intended to (1) help users assess the system's funding status on a going-concern basis, (2) assess progress being made in accumulating sufficient assets to pay benefits when due, and (3) allow for comparisons among public employee retirement plans. The net pension obligation was determined as part of an actuarial valuation of the plan as of July 1, 2020.

<u>Net Pension Obligation</u>	
Retirees and Beneficiaries Currently Receiving Benefits .....	\$ 77,357
Net Position Available for Benefits .....	4,661
	<u>\$ 72,696</u>

There were no current year member contributions. Eligible participants were required to contribute annually an amount equal to 1% of current annual salary, or approximately \$200 per year. The City has chosen to fund the plan on a pay-as-you-go basis under which contributions to the plan above and beyond employee contributions are made at the same time and in the same amounts as benefit payments and expenses become due.

This method has been selected since no future entrants to the plan will occur because of the eligibility employment date. Presently, the total annual liability for pension benefits is approximately \$10,000 per year which the City feels can be funded on a pay-as-you-go basis through property tax levies since no funding of future benefits will be necessary due to a closed group situation which will result in no new participants.

The unfunded actuarial present value of credited projected benefits is \$77,357.

The City's contribution for the year was \$13,211 as required by the pay-as-you-go method of funding. This \$13,211 was paid by the City as required. The amount was not actuarially determined.

The net pension liability was measured as of July 1, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

*Actuarial Assumptions* – The total pension liability was determined by an actuarial valuation as of July 1, 2020, using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

Discount Rate:	6.00%
Assumed Future Benefit Increase:	2.5%

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

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**Note 10 - PENSION PLAN - (Continued)**

Post retirement mortality rates were based on the RP-2000 Mortality Table projected to 2020 (female).

This is a closed system with all active members retired. Taxes are levied to sufficiently compensate the retired members involved in this system. No separate financial statements are prepared for the police retirement system.

**Note 11 - NOTES RECEIVABLE**

In fiscal year 2002, the City advanced Wee Care Child Care \$180,000 for improvements to leased portion of community center. The City borrowed these funds from a local institution and a receivable and liability of the same amount was recorded in the debt service fund. During fiscal year 2011 the City repaid the loan from local institutions and renegotiated with Wee Care to repay the City over 12 years. The receivable and liability were removed from the debt service fund and now a receivable is recorded in the internal service fund. The note bears interest at 3.00% with payments as shown as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2021	\$ 13,293
2022	13,048
Total Note Receivable	<u>\$ 26,341</u>

Also, during the fiscal year ended June 30, 2009, the City opened a revolving loan fund. The purpose of the fund is to promote economic development in Hawarden. During the fiscal year ended June 30, 2015, the City made a loan to Rosa Zamora for \$60,000 and the loan had a balance of \$43,657 as of June 30, 2020. This loan was amended in fiscal year 2020 due to COVID-19 and payments on the note were deferred from April, 2020 to September, 2020 with no accrual of interest. When payments commence, the loan is scheduled to be repaid over 5 years, with monthly payments at 2% interest.

During the fiscal year ended June 30, 2016, the City made two additional loans through the revolving loan fund. One loan was made to Big Sioux Embroidery for \$50,000 and had a balance of \$20,902 as of June 30, 2020. This loan was amended in fiscal year 2020 due to COVID-19 and payments on the note were deferred from April, 2020 to September, 2020 with no accrual of interest. When payments commence, the loan is scheduled to be repaid over 3 years, with monthly payments at 3% interest. The other loan was made to Arturo Saldana for \$20,000 and had a balance of \$13,573 as of June 30, 2020. This loan was amended in fiscal year 2020 due to COVID-19 and payments on the note were deferred from April, 2020 to September, 2020 with no accrual of interest. When payments commence, the loan is scheduled to be repaid over 5 years, with monthly payments at 2% interest.

During the fiscal year ended June 30, 2020, the City made four additional loans through the revolving loan fund. One loan was made to Heartland Appliance for \$21,821 and had a balance of \$20,458 as of June 30, 2020. This loan is scheduled to be repaid over 3 years, with monthly payments at 2.75% interest. Another loan was made to Alpha Motorsports for \$50,000. This loan had one month's interest capitalized at year end and had a balance of \$50,115 as of June 30, 2020. This loan is scheduled to be repaid over 10 years, with monthly payments at 2.75% interest. Another loan was made to Rooster's Midwest Steakhouse for \$61,976 and had a balance of the same amount as of June 30, 2020. This loan is scheduled to be repaid over 10 years, with monthly payments at 2.75% interest and a balloon payment in fiscal year 2030.



**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 11 - NOTES RECEIVABLE - (Continued)**

Another loan was made to Hawarden Chamber and Economic Development for \$66,398. This loan had three months' interest capitalized at year end and had a balance of \$67,328 as of June 30, 2020. Interest will accrue monthly at 2.75%. Principal and interest are due upon the sale of all or any portion of lots in Hill 77 Addition of the City, or in March 2023, whichever occurs sooner.

Scheduled receipt of loan principal is shown as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2021	\$ 25,809
2022	31,826
2023	99,967
2024	25,437
2025	22,688
2026-2030	72,282
Total Note Receivable	<u>\$ 278,009</u>

During the fiscal year ended June 30, 2020, the City made one loan through the USDA Rural Business Enterprise Grant Program to the Hawarden Chamber and Economic Development for \$68,602 and had a balance of the same at June 30. Interest will accrue monthly at 2.75%. Principal and interest are due upon the sale of all or any portion of lots in Hill 77 Addition of the City, or in March 2023, whichever occurs sooner.

Scheduled receipt of loan principal is shown as follows:

<u>Fiscal Year</u>	<u>Principal</u>
2021	\$ -
2022	-
2023	68,602
Total Note Receivable	<u>\$ 68,602</u>

**Note 12 - RELATED PARTY TRANSACTIONS**

Effective January 1, 2005, Hawarden Regional Healthcare and Mercy Medical Services (MMS) entered into a joint venture whereby each partner has a 50% sponsorship interest in Hawarden Regional Healthcare Clinics, LLC, (HRHC). The Hawarden Regional Healthcare and MMS share equally in the net income (loss) of HRHC. HRHC operates clinics in Hawarden and Ireton, Iowa.

*Hawarden Community Clinic*

The Hospital's share of Hawarden Clinic's (HC) 2020 was \$166,888, and is included in joint venture loss, net in the accompanying statement of activities.

The Hospital hires the employees of HC and leases them back to HC. Amounts received by the Hospital for expenses paid in 2020 were \$982,322 and are included in the accompanying Statement of Activities. The Hospital also received management fees from HC totaling \$70,000 in 2020 and monthly rent totaling \$27,600 for the year ended June 30, 2020. These amounts are included in other revenue.

HC owed the Hospital \$38,375 at June 30, 2020. These amounts are recorded in due from other governmental agencies on the Statement of Net Position.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

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**Note 12 - RELATED PARTY TRANSACTIONS - (Continued)**

*Ireton Community*

The Hospital's share of Ireton Clinic (IC) 2020 operating loss was \$41,722, and is included in joint venture loss, net in the accompanying Statement of Activities.

The Hawarden Regional Healthcare hires the employees of IC and leases them back to IC. Amounts received by the Hawarden Regional Healthcare for expenses paid in 2020 were \$88,209, and are included in the accompanying statement of activities. The Hawarden Regional Healthcare also received management fees from IC totaling \$10,000 in 2020. These fees are included in other revenue.

IC owed the Hospital \$177,320 at June 30, 2020. These amounts are recorded in due from other governmental agencies on the Statement of Net Position.

The Hospital owes HC and IC \$281,001 at June 30, 2020. This amount is recorded in accrued expenses on the Statement of Net Position.

**Note 13 - LEASES WITH RELATED PARTIES**

The Telephone Fund leases certain assets from the Electric Fund. The lease includes fiber optic cable and other assets associated with providing telecommunications utility. The lease provides for annual payments of \$145,354 with no set minimum lease term.

**Note 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

Plan Description – The City administers a single-employer benefit plan accounted for under the alternative measurement method which provides medical and prescription drug benefits for employees, retirees and their spouses. Group insurance benefits are established under Iowa Code Chapter 509A.13. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75.

OPEB Benefits – Individuals who are employed by the City and are eligible to participate in the group health plan are eligible to continue healthcare benefits upon retirement. Retirees under age 65 pay the same premium for the medical and prescription drug benefits as active employees, which results in an implicit rate subsidy and OPEB liability.

Retired participants must be age 55 or older at retirement. At June 30, 2020, plan membership consisted of the following:

Inactive members entitled to but not yet receiving benefits	0
Inactive members currently receiving benefit	0
Active employees	24
Total	<u>24</u>

Total OPEB Liability – The total OPEB liability of the City of \$24,980 was measured as of June 30, 2020 and was determined by an actuarial valuation as of June 30, 2020.

Actuarial Assumptions – The Total OPEB liability in the June 30, 2020, actuarial valuation was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)**

Rate of inflation (effective June 30, 2020)	3.00% per annum.
Rates of salary increase (effective June 30, 2020)	2.00% per annum.
Discount rate (effective June 30, 2020)	2.21% compounded annually.
Healthcare cost trend rate (effective June 30, 2020)	5.00% all years.

Discount Rate - The discount rate used to measure the total OPEB liability was 2.21% which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Mortality rates are from the 2016 United States Life Tables. Annual retirement probabilities are based on varying rates by age and turnover probabilities mirror those used by IPERS.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of an actuarial experience study with dates corresponding to those listed above.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB liability beginning of year	\$ 21,256
Changes for the year:	
Service cost	1,014
Interest	862
Differences between expected and actual experiences	(1,214)
Changes in assumptions	3,062
Benefit payments	-
Net changes	3,724
Total OPEB liability end of year	\$ 24,980

Changes of assumptions reflect a change in the discount rate from 3.87% in fiscal year 2019 to 2.21% in fiscal year 2020.

Sensitivity of the City's Total OPEB Liability to Changes in the Discount Rate – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1% lower (1.21%) or 1% higher (3.21%) than the current discount rate.

	1% Decrease (1.21%)	Discount Rate (2.21%)	1% Increase (3.21%)
Total OPEB Liability	\$26,342	\$24,980	\$23,313

Sensitivity of City's Total OPEB liability to Changes in the Healthcare Cost Trend Rates – The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1% lower (4.00%) or 1% higher (6.00%) than the current healthcare cost trend rates.

	1% Decrease (4.00%)	HealthCare Cost TrendRate (5.00%)	1% Increase (6.00%)
Total OPEB Liability	\$22,063	\$24,980	\$28,395

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

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**Note 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB) - (Continued)**

OPEB Expense – For the year ended June 30, 2020, the City recognized OPEB expense of \$3,723.

**Note 15 – DEFICIT FUND BALANCES**

The City has five funds with deficit fund balances at June 30, 2020. The City intends to finance these deficits from various resources including; property taxes, general funds, charges to various departments, and capital project debt financing.

The individual fund deficits are as follows:

Debt Service	\$	5,067
Downtown Project	\$	41,546
Employee Benefit Levy	\$	25,552
Community Center Paving	\$	151,017
Dry Creek Levy	\$	21,191

**Note 16 – CONSTRUCTION COMMITMENTS**

During the year ended June 30, 2020, the City had entered into several construction contracts totaling \$4,726,160 of which \$3,631,920 has been expended to date. The remaining balance of \$1,094,240 will be paid as work progresses.

**Note 17 - URBAN RENEWAL DEVELOPMENT AGREEMENTS**

The City entered into various development agreements for urban renewal projects. The agreements require the City to rebate portions of the incremental property tax paid by the developer in exchange for infrastructure improvements, rehabilitation and development of commercial projects by the developer. The total to be paid by the City under the agreements is not to exceed \$20,000.

During the year ended June 30, 2020, the City rebated \$3,866 of incremental property tax to developers. The total cumulative principal amount rebated on the agreements is \$3,866. The outstanding balance on the agreements at June 30, 2020 was \$16,134.

The agreements are not general obligations of the City and, due to their nature, are not recorded as a liability in the City's financial statements. However, the agreements are subject to the constitutional debt limitation of the City.

Certain agreements include an annual appropriation clause and accordingly, only the amount payable in the succeeding year on the agreements is subject to the constitutional debt limitation. The entire outstanding principal balance of agreements not including as annual appropriation clause is subject to the constitutional debt limitation.

**Note 18 – TAX ABATEMENTS**

Governmental Accounting Standards Board Statement No. 77 defines tax abatements as a reduction in tax revenues that results from an agreement between one of more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

**CITY OF HAWARDEN, IOWA**  
**Notes to Financial Statements**  
**June 30, 2020**

**Note 18 – TAX ABATEMENTS - (Continued)**

City Tax Abatements

The City provides tax abatements for urban renewal and economic development projects with tax increment financing as provided for in Chapters 15A and 403 of the Code of Iowa. For these types of projects, the City enters into agreements with developers which require the City, after developers meet the terms of the agreements, to rebate a portion of the property tax paid by the developers, to pay the developers an economic development grant or to pay the developers a predetermined dollar amount. No other commitments were made by the City as part of these agreements.

For the year ended June 30, 2020, the City abated \$1,438 of property tax under the urban renewal and economic development projects.

**Note 19 – PRIOR PERIOD ADJUSTMENTS**

During 2020, it was determined that a quarterly franchise fees was omitted from the prior year. A prior period adjustment was made increasing the general fund balance by \$5,742. Also, it was determined that expenses for the fiscal year 2019 spring clean-up were omitted from the prior year in the solid waste fund. This error was corrected in the current year resulting in a decrease of \$10,916 to net position in this fund. Also, it was determined that an error was made to receivables in the cable/internet fund. This error was corrected in the current year resulting in a decrease of \$52,662 to net position in this fund.

	General Fund	Governmental Activities
Fund Balance/Net Position, June 30, 2019 as previously reported	\$ 754,259	\$ 10,767,759
Prior Period Adjustment	5,742	5,742
Fund Balance/Net Position, June 30, 2019, as restated	<u>\$ 760,001</u>	<u>\$ 10,773,501</u>

	Solid Waste Fund	Cable/Internet Fund	Business-Type Activities
Fund Balance/Net Position, June 30, 2019 as previously reported	\$ 170,291	\$ 1,190,793	\$ 7,582,578
Prior Period Adjustment	(10,916)	(52,662)	(63,578)
Fund Balance/Net Position, June 30, 2019, as restated	<u>\$ 159,375</u>	<u>\$ 1,138,131</u>	<u>\$ 7,519,000</u>

**Note 20 – PROSPECTIVE ACCOUNTING CHANGE**

The Governmental Accounting Standards Board has issued Statement No. 84, Fiduciary Activities. This statement will be implemented for the fiscal year ending June 30, 2021. The revised requirements of this statement will enhance the consistency and comparability of fiduciary activity reporting by state and local governments by establishing specific criteria for identifying fiduciary activities and clarifying whether and how business type activities should report their fiduciary activities.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

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**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information – Budgetary Reporting**  
**For the Year Ended June 30, 2020**

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The budgetary comparison is presented in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the accrual basis following required public notice and hearing for all funds except the Agency Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, two budget amendments increased budgeted disbursements by \$5,308,198. The budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2020, disbursements exceeded the amounts budgeted in the Health and Social Services, Community and Economic Development, Capital Project and Debt Service functions.

**CITY OF HAWARDEN, IOWA**

**Required Supplementary Information - Budgetary Reporting**

**For the Year Ended June 30, 2020**

	Governmental Fund Types	Proprietary Fund Types	Primary Government Total
<b>Revenue:</b>			
Property Taxes	\$ 1,077,757	\$ -	\$ 1,077,757
Special Assessments	28,584	-	28,584
Licenses	28,789	-	28,789
Intergovernmental	857,640	-	857,640
Charges	398,735	6,242,750	6,641,485
Fines	5,559	-	5,559
Contributions	86,277	-	86,277
Refunds	58,488	-	58,488
Rental Income	28,871	-	28,871
Sale of Real Estate	25,270	-	25,270
Interest	100,705	1,988	102,693
Miscellaneous	9,222	27,468	36,690
Total Revenue	2,705,897	6,272,206	8,978,104
<b>Expenditures:</b>			
Public Safety	752,280	-	752,280
Public Works	455,098	-	455,098
Health and Social Services	407,151	-	407,151
Culture and Recreation	520,373	-	520,373
Community and Economic Development	141,071	-	141,071
General Government	185,443	-	185,443
Capital Projects	1,345,159	-	1,345,159
Debt Service	141,478	-	141,478
Business Type Activities	-	5,344,296	5,344,296
Total Expenditures/Expenses	3,948,053	5,344,296	9,292,349
Excess (deficiency) of revenues over expenditures	(1,242,156)	927,910	(314,246)
<b>Other financing sources (uses):</b>			
Transfers from Other Funds	1,901,880	227,858	2,129,738
Miscellaneous Expense	-	-	-
Proceeds from Debt Financing	-	-	-
Proceeds from Asset Sales	-	19,763	19,763
Transfers to Other Funds	(836,598)	(1,293,140)	(2,129,738)
Total other financing sources (uses)	1,065,282	(1,045,519)	19,763
Excess (Deficiency) of Revenues and Other Financing Sources Over Expenditures/Expenses and Other (Uses)	(176,874)	(117,609)	(294,483)
Fund Balance/Retained Earnings at Beginning of Year	1,941,072	9,422,965	11,364,037
Prior Period Adjustment	5,742	(63,578)	(57,836)
Fund Balance/Retained Earnings at End of Year	\$ 1,769,940	\$ 9,241,778	\$ 11,011,718

Hawarden Community Hospital	Reporting Entity Total	Original Budget	Final Amended Budget	Variance
\$ -	\$ 1,077,757	\$ 1,422,078	\$ 1,457,078	\$ (379,321)
-	28,584	36,173	36,173	(7,589)
-	28,789	14,550	14,550	14,239
976,640	1,834,280	395,705	435,876	1,398,404
13,684,540	20,326,025	17,650,043	17,708,388	2,617,637
-	5,559	-	-	5,559
14,327	100,604	-	-	100,604
-	58,488	-	-	58,488
-	28,871	-	-	28,871
-	25,270	-	-	25,270
74,236	176,929	30,006	74,506	102,423
-	36,690	83,601	83,601	(46,911)
14,749,743	23,727,847	19,632,156	19,810,172	3,917,675
-	752,280	708,629	756,434	4,154
-	455,098	431,827	464,327	9,229
-	407,151	350,000	385,000	(22,151)
-	520,373	415,032	564,881	44,508
-	141,071	139,231	139,231	(1,840)
-	185,443	448,595	230,383	44,940
-	1,345,159	-	900,000	(445,159)
-	141,478	243,775	140,125	(1,353)
13,424,410	18,768,706	16,308,763	20,773,669	2,004,963
13,424,410	22,716,759	19,045,852	24,354,050	1,637,291
1,325,333	1,011,087	586,304	(4,543,878)	5,554,965
-	2,129,738	1,757,456	2,899,317	(769,579)
-	-	-	-	-
-	-	14,438	5,080,685	(5,080,685)
-	19,763	-	-	19,763
-	(2,129,738)	(1,757,456)	(2,899,317)	769,579
-	19,763	14,438	5,080,685	(5,060,922)
1,325,333	1,030,850	\$ 600,742	\$ 536,807	\$ 494,043
8,005,808	19,369,845			
-	(57,836)			
\$ 9,331,141	\$ 20,342,859			

**CITY OF HAWARDEN, IOWA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY'S PROPORTIONATE SHARE OF  
THE NET PENSION LIABILITY  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM LAST SIX FISCAL YEARS\*  
(IN THOUSANDS)  
FOR THE YEAR ENDED JUNE 30, 2020**

	2020		2019		2018	
	City	Component Unit	City	Component Unit	City	Component Unit
Entity's proportion of the net pension liability	0.0127413%	0.049578%	0.0132048%	0.045616%	0.0136538%	0.042144%
Entity's proportionate share of the net pension liability	\$ 739	\$ 2,871	\$ 836	\$ 2,887	\$ 910	\$ 2,807
Entity's covered payroll	\$ 1,247	\$ 4,333	\$ 1,257	\$ 3,684	\$ 1,274	\$ 2,744
Entity's proportionate share of the net pension liability as a percentage of its covered payroll	59.26%	66.26%	66.51%	78.36%	71.43%	76.19%
Plan fiduciary net position as a percentage of the total pension liability	85.45%	85.45%	83.62%	83.62%	82.21%	82.21%
	2017		2016		2015	
	City	Component Unit	City	Component Unit	City	Component Unit
Entity's proportion of the net pension liability	0.013227%	0.043375%	0.0127505%	0.044200%	0.0123239%	0.041020%
Entity's proportionate share of the net pension liability	\$ 832	\$ 2,730	\$ 630	\$ 2,184	\$ 491	\$ 1,660
Entity's covered payroll	\$ 1,187	\$ 3,359	\$ 1,159	\$ 3,012	\$ 1,120	\$ 2,744
Entity's proportionate share of the net pension liability as a percentage of its covered payroll	70.09%	99.51%	53.08%	65.01%	43.84%	55.11%
Plan fiduciary net position as a percentage of the total pension liability	81.82%	81.82%	85.19%	85.19%	87.61%	87.61%

\*The amounts presented for each fiscal year were determined as of June 30.

**Note:** GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the Entity will present information for those years for which information is available.

**CITY OF HAWARDEN, IOWA  
REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF THE CITY'S CONTRIBUTIONS  
IOWA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
LAST TEN YEARS (IN THOUSANDS)  
FOR THE YEAR ENDED JUNE 30, 2020**

<b>City</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Statutorily required contribution	\$ 130	\$ 120	\$ 115	\$ 117	\$ 108
Contributions in relation to the statutorily required contribution	(130)	(120)	(115)	(117)	(108)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,364	\$ 1,247	\$ 1,257	\$ 1,274	\$ 1,187
Contributions as a percentage of covered payroll	9.53%	9.62%	9.15%	9.18%	9.13%

<b>City</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Statutorily required contribution	\$ 106	\$ 103	\$ 99	\$ 97	\$ 92
Contributions in relation to the statutorily required contribution	(106)	(103)	(99)	(97)	(92)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 1,159	\$ 1,120	\$ 1,102	\$ 1,138	\$ 1,194
Contributions as a percentage of covered payroll	9.15%	9.20%	8.98%	8.52%	7.71%

<b>Component Unit</b>	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Statutorily required contribution	\$ 367	\$ 409	\$ 329	\$ 245	\$ 300
Contributions in relation to the statutorily required contribution	(367)	(409)	(329)	(245)	(300)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered payroll	\$ 3,888	\$ 4,333	\$ 3,684	\$ 2,744	\$ 3,359
Contributions as a percentage of covered-payroll	9.44%	9.44%	8.93%	8.93%	8.93%

<b>Component Unit</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Statutorily required contribution	\$ 269	\$ 245	\$ 190	\$ 186	\$ 140
Contributions in relation to the statutorily required contribution	(269)	(245)	(190)	(186)	(140)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Hospital's covered payroll	\$ 3,012	\$ 2,744	\$ 2,197	\$ 2,300	\$ 2,009
Contributions as a percentage of Covered payroll	8.93%	8.93%	8.67%	8.07%	6.95%

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Police Retirement System (PRS)**  
**Last Seven Fiscal Years as of June 30 \***

	2020	2019	2018	2017
Total pension liability				
Differences between expected & actual experience	\$ 10,384	\$ 9,681	\$ 5,166	\$ 13,474
Benefit payments, including refunds of employee contributions	(13,211)	(12,963)	(12,706)	(12,239)
Net change in total pension liability	(2,827)	(3,282)	(7,540)	1,235
Total pension liability – beginning	80,184	83,466	91,006	89,771
Total pension liability – ending (a)	\$ 77,357	\$ 80,184	\$ 83,466	\$ 91,006
Plan fiduciary net position				
Contributions – employer	\$ 13,311	\$ 13,030	\$ 13,030	\$ 13,030
Contributions - employee	-	-	-	-
Net investment income	-	-	-	-
Benefit payments, including refunds of employee contributions	(13,311)	(12,963)	(12,706)	(12,239)
Administrative expense	-	-	-	-
Net change in fiduciary net position	-	67	324	791
Plan fiduciary net position - beginning	4,661	4,594	4,270	3,479
Plan fiduciary net position – ending (b)	\$ 4,661	\$ 4,661	\$ 4,594	\$ 4,270
Net pension liability – ending (a) – (b)	\$ 72,696	\$ 75,523	\$ 78,872	\$ 86,736
Plan fiduciary net position as percentage of the total pension liability	6.025%	5.813%	5.500%	4.692%
Covered payroll	-	-	-	-

*Continued on next page:*

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Police Retirement System (PRS)**  
**Last Seven Fiscal Years as of June 30 \***

	2016	2015	2014
Total pension liability			
Differences between expected & actual experience	\$ 12,949	\$ 8,430	\$ 8,382
Benefit payments, including refunds of employee contributions	(11,658)	(11,538)	(11,235)
Net change in total pension liability	1,291	(3,108)	(2,853)
Total pension liability – beginning	88,480	91,588	94,441
Total pension liability – ending (a)	<u>\$ 89,771</u>	<u>\$ 88,480</u>	<u>\$ 91,588</u>
Plan fiduciary net position			
Contributions – employer	\$ 12,205	\$ 11,768	\$ 11,783
Contributions - employee	-	-	-
Net investment income	8	9	13
Benefit payments, including refunds of employee contributions	(11,658)	(11,538)	(11,235)
Administrative expense	(600)	-	(600)
Net change in fiduciary net position	(45)	239	(39)
Plan fiduciary net position - beginning	3,524	3,285	3,324
Plan fiduciary net position – ending (b)	<u>\$ 3,479</u>	<u>\$ 3,524</u>	<u>\$ 3,285</u>
Net pension liability – ending (a) – (b)	<u>\$ 86,292</u>	<u>\$ 84,956</u>	<u>\$ 88,303</u>
Plan fiduciary net position as percentage of the total pension liability	3.878%	3.98%	3.58%
Covered payroll	-	-	-

\*GASB Statement No. 68 reports ten years of information to be presented in this schedule; however, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information**  
**Schedule of Contributions**  
**Police Retirement System (PRS)**  
**Last Ten Fiscal Years as of June 30**

	<b>2020</b>	<b>2019</b>	<b>2018</b>	<b>2017</b>	<b>2016</b>
Required pay-as-you-go	\$ 13,211	\$ 12,963	\$ 12,706	\$ 12,239	\$ 11,658
Actual employer contribution	(13,211)	(12,963)	(12,706)	(12,239)	(11,658)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -
	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Required pay-as-you-go	\$ 11,538	\$ 11,235	\$ 10,998	\$ 10,863	\$ 10,863
Actual employer contribution	(11,538)	(11,235)	(10,998)	(10,863)	(10,863)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ -	\$ -	\$ -	\$ -	\$ -

See Notes to Required Supplementary Information – Schedules of Contributions.



**CITY OF HAWARDEN, IOWA  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION –  
PENSION LIABILITY  
FOR THE YEAR ENDED JUNE 30, 2020**

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**IPERS**

**Changes of Benefit Terms:**

There are no significant changes in benefit terms

**Changes of Assumptions**

The 2018 valuation implemented the following refinements as a result of an demographic assumption study dated June 28, 2018:

- Changed mortality assumptions to the RP-2014 mortality tables with mortality improvements modeled using Scale MP-2017.
- Adjusted retirement rates.
- Lowered disability rates.
- Adjusted the probability of a vested Regular member electing to receive a deferred benefit.
- Adjusted the merit component of the salary increase assumption.

The 2017 valuation implemented the following refinements as a result of an experience study dated March 24, 2017:

- Decreased the inflation assumption from 3.00 percent to 2.60 percent.
- Decreased the assumed rate of interest on member accounts from 3.75 percent to 3.50 percent per year.
- Decreased the discount rate from 7.50 percent to 7.00 percent.
- Decreased the wage growth assumption from 4.00 percent to 3.25 percent.
- Decreased the payroll growth assumption from 4.00 percent to 3.25 percent.

The 2014 valuation implemented the following refinements as a result of a quadrennial experience study:

- Decreased the inflation assumption from 3.25 percent to 3.00 percent.
- Decreased the assumed rate of interest on member accounts from 4.00 percent to 3.75 percent per year.
- Adjusted male mortality rates for retirees in the Regular membership group.
- Reduced retirement rates for sheriffs and deputies between the ages of 55 and 64.
- Moved from an open 30 year amortization period to a closed 30 year amortization period for the UAL beginning June 30, 2014. Each year thereafter, changes in the UAL from plan experience will be amortized on a separate closed 20 year period.

**Police Retirement System (PRS)**

Valuation date: July 1, 2020.

PRS is funded on the pay-as-you-go basis and makes the plan determined benefit payments as they are due. PRS is a closed system with one remaining beneficiary of a retired former employee.

**CITY OF HAWARDEN, IOWA**  
**Required Supplementary Information**  
**Schedule of Changes in the City's**  
**Total OPEB Liability, Related Ratios and Notes**  
**For the Last Three Years**

	2020	2019	2018
Service Cost	\$ 1,014	\$ 994	\$ 727
Interest Cost	862	792	656
Difference between expected and Actual experiences	(1,214)	-	2,524
Changes in assumptions	3,061	-	2,667
Benefit payments	-	(954)	-
Net change in total OPEB liability	3,723	832	6,574
Total OPEB liability beginning of year	21,256	20,424	13,850
Total OPEB liability end of year	\$ 24,979	\$ 21,256	\$ 20,424
Covered-employee payroll	\$ 1,221,269	\$ 1,123,480	\$ 1,101,451
Total OPEB liability as a percentage Of covered-employee payroll	2.05%	1.89%	1.85%

**Notes to Schedule of Changes in the GAAP City's Total OPEB Liability and Related Ratios**

*Changes in benefit terms:*

There were no significant changes in benefit terms

*Changes in assumptions:*

Changes in assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

Year ended June 30, 2020	2.21%
Year ended June 30, 2019	3.78%
Year ended June 30, 2018	3.78%
Year ended June 30, 2017	4.50%

Note: GASB Statement No. 75 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, the entity will present information for those years for which information is available.

## **OTHER SUPPLEMENTARY INFORMATION**

**CITY OF HAWARDEN, IOWA  
COMBINING BALANCE SHEET  
Governmental Nonmajor Funds  
JUNE 30, 2020**

	Special Revenue Funds					
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	Emergency	USDA Revolving Loan Fund	Revolving Loan Fund
<b>Assets</b>						
Cash and Cash Equivalents	\$ 83,936	\$ -	\$ 31,071	\$ 14,556	\$ -	\$ 141,544
Investments	-	-	-	-	-	-
Receivables (Net, where applicable, of allowance for uncollectibles)	-	-	-	-	-	-
Taxes	-	7,188	-	455	-	-
Subsequent Year Taxes	-	232,510	-	14,617	-	-
Special Assessments	-	-	-	-	-	-
Notes Receivable	-	-	-	-	68,602	278,009
Due from Other Governmental Agencies	42,806	-	31,071	-	-	-
Restricted Assets:						
Donor Restricted Investments	-	-	-	-	-	-
<b>Total Assets</b>	<b>126,742</b>	<b>239,698</b>	<b>62,142</b>	<b>29,628</b>	<b>68,602</b>	<b>419,553</b>
<b>Liabilities, Deferred Inflows of Resources and Fund Balances</b>						
<b>Liabilities:</b>						
Accounts Payable	-	-	62,142	-	-	-
Due to Other Funds	-	29,167	-	-	532	-
<b>Total Liabilities</b>	<b>-</b>	<b>29,167</b>	<b>62,142</b>	<b>-</b>	<b>532</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>						
Unavailable Revenue- subsequent year taxes	-	232,510	-	14,617	-	-
Unavailable Revenue- delinquent property taxes	-	3,573	-	227	-	-
Unavailable Revenue- special assessments	-	-	-	-	-	-
<b>Total Deferred Inflows of Resources</b>	<b>-</b>	<b>236,083</b>	<b>-</b>	<b>14,844</b>	<b>-</b>	<b>-</b>
<b>Fund Balances (Deficits):</b>						
Nonspendable:						
Library Endowment	-	-	-	-	-	-
Restricted for:						
Road Surface Repairs	126,742	-	-	-	-	-
Revolving Loan Fund	-	-	-	-	68,070	419,553
Library Endowment	-	-	-	-	-	-
Emergency Fund	-	-	-	14,784	-	-
Assigned for:						
Capital Improvement and Facilities	-	-	-	-	-	-
Unassigned:						
Total Fund Balances	<b>126,742</b>	<b>(25,552)</b>	<b>-</b>	<b>14,784</b>	<b>68,070</b>	<b>419,553</b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances (Deficits)</b>	<b>\$ 126,742</b>	<b>\$ 239,698</b>	<b>\$ 62,142</b>	<b>\$ 29,628</b>	<b>\$ 68,602</b>	<b>\$ 419,553</b>

Capital Projects								Permanent Fund	Total
Walking Trail Project	Street Special Assessments	Public Works Building Replacement	Capital Facilities Fund	Mapping	FEMA Flood Project	Community Center Paving	Dry Creek Levy	Marie Gregg/ Vipond Trust	Governmental Nonmajor Funds
\$ 35,485	\$ 34,031	\$ 456,343	\$ 18,186	\$ -	\$ 14,056	\$ -	\$ -	\$ 22,508	\$ 851,716
-	-	-	-	-	-	-	-	76,690	76,690
-	-	-	-	-	-	-	-	-	7,643
-	-	-	-	-	-	-	-	-	247,127
-	166,347	-	-	-	-	-	-	-	166,347
-	-	-	-	-	-	-	-	-	346,611
-	-	-	-	-	-	-	-	-	73,877
-	-	-	-	-	-	-	-	134,546	134,546
35,485	200,378	456,343	18,186	-	14,056	-	-	233,744	1,904,557
-	-	-	-	-	-	126,535	5,341	-	194,018
-	-	-	-	-	-	24,482	15,850	-	70,031
-	-	-	-	-	-	151,017	21,191	-	264,049
-	-	-	-	-	-	-	-	-	247,127
-	-	-	-	-	-	-	-	-	3,800
-	166,347	-	-	-	-	-	-	-	166,347
-	166,347	-	-	-	-	-	-	-	417,274
-	-	-	-	-	-	-	-	134,546	134,546
-	-	-	-	-	-	-	-	-	126,742
-	-	-	-	-	-	-	-	-	487,623
-	-	-	-	-	-	-	-	99,198	99,198
-	-	-	-	-	-	-	-	-	14,784
35,485	34,031	456,343	18,186	-	14,056	-	-	-	558,101
-	-	-	-	-	-	(151,017)	(21,191)	-	(197,760)
35,485	34,031	456,343	18,186	-	14,056	(151,017)	(21,191)	233,744	1,223,234
\$ 35,485	\$ 200,378	\$ 456,343	\$ 18,186	\$ -	\$ 14,056	\$ -	\$ -	\$ 233,744	\$ 1,904,557

**CITY OF HAWARDEN, IOWA**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES**  
**Governmental Nonmajor Funds**  
**For the Year Ended JUNE 30, 2020**

	Special Revenue Funds					
	Road Use Tax	Employee Benefit Levy	Local Option Sales Tax	Emergency	USDA Revolving Loan Fund	Revolving Loan Fund
Revenue:						
Taxes	\$ -	\$ 226,088	\$ -	\$ 14,784	\$ -	\$ -
Special Assessments	-	-	-	-	-	-
Intergovernmental Revenue	343,783	7,206	407,151	-	-	-
Contributions	-	-	-	-	-	-
Interest	-	-	-	-	-	8,162
Total Revenue	343,783	233,294	407,151	14,784	-	8,162
Expenditures:						
Public Safety	-	99,918	-	-	-	-
Public Works	250,290	34,065	-	-	-	-
Health and Social Services	-	-	407,151	-	-	-
Culture and Recreation	-	29,958	-	-	-	-
Community and Economic Development	-	20,480	-	-	-	-
General Government	-	65,522	-	-	-	-
Capital Projects	-	-	-	-	-	-
Total Expenditures	250,290	249,943	407,151	-	-	-
Excess (deficiency) of revenues over expenditures	93,493	(16,649)	-	14,784	-	8,162
Other financing sources (uses):						
Transfers In	-	32,196	-	-	-	-
Transfers Out	-	-	-	-	-	-
Total other financing sources (uses)	-	32,196	-	-	-	-
Net Change in Fund Balance	93,493	15,547	-	14,784	-	8,162
Fund balances - beginning of year	33,249	(41,099)	-	-	68,070	411,391
Fund balances (Deficits) - end of year	\$ 126,742	\$ (25,552)	\$ -	\$ 14,784	\$ 68,070	\$ 419,553

Capital Projects								Permanent Fund	Total
Walking Trail Project	Street Special Assessments	Public Works Building Replacement	Capital Facilities Fund	Mapping	FEMA Flood Project	Community Center Paving	Dry Creek Levy	Marie Gregg/ Vipond Trust	Governmental Nonmajor Funds
\$ -	\$ 28,584	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 240,872
-	-	-	-	-	-	-	-	-	28,584
75,195	-	-	-	-	14,056	-	-	-	772,196
-	5,446	-	-	-	-	-	-	-	75,195
75,195	34,030	-	-	-	14,056	-	-	7,227	20,835
-	-	-	-	-	-	-	-	-	1,137,682
-	-	-	-	-	-	-	-	-	99,918
-	-	-	-	1,289	-	-	-	-	285,644
-	-	-	-	-	-	-	-	-	407,151
-	-	-	-	-	-	-	-	-	29,968
-	-	-	-	-	-	-	-	-	20,480
-	-	-	-	-	-	-	-	-	65,522
53,877	-	-	61,166	-	-	321,019	21,191	-	457,253
53,877	-	-	61,166	1,289	-	321,019	21,191	-	1,365,926
21,318	34,030	-	(61,166)	(1,289)	14,056	(321,019)	(21,191)	7,227	(228,244)
-	-	20,000	-	729	-	170,002	-	-	222,927
-	(132,281)	-	-	-	-	-	-	-	(132,281)
-	(132,281)	20,000	-	729	-	170,002	-	-	90,646
21,318	(98,251)	20,000	(61,166)	(560)	14,056	(151,017)	(21,191)	7,227	(137,598)
14,167	132,282	436,343	79,352	560	-	-	-	226,517	1,360,832
\$ 35,485	\$ 34,031	\$ 456,343	\$ 18,186	\$ -	\$ 14,056	\$ (151,017)	\$ (21,191)	\$ 233,744	\$ 1,223,234

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF NET POSITION**  
**Fiduciary Funds**  
**JUNE 30, 2020**

	<b>Agency Funds</b>		
	<b>Flex Spending</b>	<b>Community Projects</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 5,180	\$ 168	\$ 5,348
<b>Total Assets</b>	<u>5,180</u>	<u>168</u>	<u>5,348</u>
<b>LIABILITIES</b>			
Due to Other Governments	5,180	168	5,348
<b>Total Liabilities</b>	<u>\$ 5,180</u>	<u>\$ 168</u>	<u>\$ 5,348</u>



**CITY OF HAWARDEN, IOWA**  
**Combining Statement of Changes in Assets and Liabilities**  
**Agency Funds**  
**For the Year Ended June 30, 2020**

	Balance July 1, 2019	Additions	Deductions	Balance June 30, 2020
<b><u>FLEX SPENDING</u></b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	\$ 6,384	\$ 26,918	\$ 28,122	\$ 5,180
Total Assets	6,384	26,918	28,122	5,180
<b><u>Liabilities</u></b>				
Due to Other Governments	6,384	26,918	28,122	5,180
Total Liabilities	6,384	26,918	28,122	5,180
<b><u>COMMUNITY PROJECTS FUND</u></b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	478	-	310	168
Total Assets	478	-	310	168
<b><u>Liabilities</u></b>				
Due to Other Governments	478	-	310	168
Total Liabilities	478	-	310	168
<b><u>ALL AGENCY FUNDS TOTAL</u></b>				
<b><u>Assets</u></b>				
Cash and Cash Equivalents	6,862	26,918	28,432	5,348
Total Assets	6,862	26,918	28,432	5,348
<b><u>Liabilities</u></b>				
Due to Other Governments	6,862	26,918	28,432	5,348
Total Liabilities	\$ 6,862	\$ 26,918	\$ 28,432	\$ 5,348

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF NET POSITION**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2020**

	<b>Capital Equipment</b>	<b>Self- Insurance</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 737,922	\$ 33,647	\$ 771,569
Receivables (Net, where applicable, of allowance for uncollectibles)			
Notes Receivable	26,341	-	26,341
Non-Current Assets:			
Land	73,885	-	73,885
Infrastructure, Property and Equipment, Net of Accumulated Depreciation	985,767	-	985,767
<b>Total Assets</b>	<b>1,823,915</b>	<b>33,647</b>	<b>1,857,562</b>
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,059,652	-	1,059,652
Unrestricted	764,263	33,647	797,910
<b>Total Net Position</b>	<b>\$ 1,823,915</b>	<b>\$ 33,647</b>	<b>\$1,857,562</b>

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION**  
**Internal Service Funds**  
**For the Year Ended June 30, 2020**

	<b>Capital Equipment</b>	<b>Self- Insurance</b>	<b>Totals</b>
<b>Operating Revenues:</b>			
Charges for Services	\$ 176,675	\$ 18,455	\$ 195,130
<b>Total Operating Revenue</b>	<u>176,675</u>	<u>18,455</u>	<u>195,130</u>
<b>Operating Expenses:</b>			
Employee Services	-	4,399	4,399
Contract Services	22,709	-	22,709
Repairs and Improvements	59,222	-	59,222
Depreciation	149,785	-	149,785
<b>Total Operating Expenses</b>	<u>231,716</u>	<u>4,399</u>	<u>236,115</u>
<b>Operating Income (Loss)</b>	(55,041)	14,056	(40,985)
<b>Non-Operating Income (Expense):</b>			
Interest Income	905	-	905
Gain on Sale of Fixed Assets	19,763	-	19,763
<b>Total Non-Operating Income</b>	<u>20,668</u>	<u>-</u>	<u>20,668</u>
<b>Income (Loss) Before Transfers</b>	(34,373)	14,056	(20,317)
<b>Transfers In</b>	<u>37,492</u>	<u>-</u>	<u>37,492</u>
<b>Change in Net Position</b>	3,119	14,056	17,175
<b>Net Position - Beginning</b>	1,820,796	19,591	1,840,387
<b>Net Position - Ending</b>	<u>\$ 1,823,915</u>	<u>\$ 33,647</u>	<u>\$ 1,857,562</u>

**CITY OF HAWARDEN, IOWA**  
**COMBINING STATEMENT OF CASH FLOWS**  
**Internal Service Funds**  
**For the Year Ended June 30, 2020**

	<b>Capital Equipment</b>	<b>Self- Insurance</b>	<b>Totals</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Interfund Services Provided	\$ 176,675	\$ 18,455	\$ 195,130
Cash Paid to Suppliers for Goods and Services	(117,431)	(4,399)	(121,830)
Net Cash Provided by Operating Activities	59,244	14,056	73,300
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition and Construction of Capital Assets	(400,499)	-	(400,499)
Proceeds from Sales of Fixed Assets	21,700	-	21,700
Net Cash (Used) by Capital and Related Financing Activities	(378,799)	-	(378,799)
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Operating Transfers From Other Funds	37,492	-	37,492
Advances to Other Funds	13,001	-	13,001
Net Cash Provided for Non-Capital Financing Activities	50,493	-	50,493
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends on Investments	905	-	905
Net Cash Provided for Investing Activities	905	-	905
Net Increase/(Decrease) in Cash and Cash Equivalents	(268,157)	14,056	(254,101)
Cash and Cash Equivalents at Beginning of Year	1,006,079	19,591	1,025,670
Cash and Cash Equivalents at End of Year	\$ 737,922	\$ 33,647	\$ 771,569
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities</b>			
Operating Income (Loss)	\$ (55,041)	\$ 14,056	\$ (40,985)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities:			
Depreciation	149,785	-	149,785
(Decrease) in Liabilities			
Accounts Payable	(35,500)	-	(35,500)
Total Adjustments	114,285	-	114,285
Net Cash Provided by Operating Activities	\$ 59,244	\$ 14,056	\$ 73,300

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the City Council  
City of Hawarden, Iowa

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Hawarden, Iowa, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the City of Hawarden, Iowa's basic financial statements and have issued our report thereon dated June 22, 2021. Our report includes a reference to other auditors who audited the financial statements of Hawarden Regional Healthcare, as described in our report on the City of Hawarden's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Hawarden, Iowa's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Hawarden, Iowa's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Hawarden, Iowa's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described as item 2020-001 in the accompanying schedule of findings, that we consider to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Hawarden, Iowa's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **City of Hawarden, Iowa's Response to Findings**

The City of Hawarden, Iowa's response to the findings identified in our audit is described in the accompanying schedule of findings. The City of Hawarden, Iowa's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the assistance and courtesies extended to us by personnel of the City during the course of our audit.

*Williams & Company P.C.*  
Certified Public Accountants

Le Mars, Iowa  
June 22, 2021

**CITY OF HAWARDEN**  
**Schedule of Findings**  
**For the Year Ended June 30, 2020**

**Part I: Summary of the Independent Auditors' Results**

- (a) A modified opinion was issued on the Cable/Internet Utility Fund and Business-Type Activities financial statements. An unmodified opinion was issued on the remainder of the major funds and governmental activities financial statements.
- (b) A material weakness in internal control over financial reporting was disclosed by the audit of the financial statements.
- (c) The audit did not disclose any non-compliance which is material to the financial statements.

**Part II: Findings Related to the Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.  
There were no prior year audit findings.

**INTERNAL CONTROL MATERIAL WEAKNESS:**

**2020-001      Financial Reporting – Material Adjusting Journal Entries**

Condition and Criteria – The auditors were required to propose and have management post adjusting entries to the fund financial statements in order for the financial statements to conform with U.S. generally accepted accounting principles. Management is responsible for the preparation of financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

Effect – The financial statements provided by management are not presented entirely in accordance with U.S. generally accepted accounting principles.

Cause – With a limited number of personnel and current staff workload, the time constraints and staff expertise do not allow for all required year end U.S. GAAP adjusting journal entries to be posted.

Recommendation – We recommend that the City train additional staff on U.S. GAAP and government accounting standards to help reduce the amount of adjusting journal entries and increase their knowledge of the required reporting standards.

Views of Responsible Officials – City management feels that hiring additional personnel to implement the additional U.S. GAAP adjusting journal entries would not be cost effective. However, management has and will continue to monitor this process on a regular basis.

**CITY OF HAWARDEN**  
**Schedule of Findings**  
**For the Year Ended June 30, 2020**

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**Part III: Other Findings Related to Required Statutory Reporting**

**III-A-20 Certified Budget**

Condition and Criteria – City expenditures during the year ended June 30, 2020, exceeded amounts budgeted in the Health and Social Services, Capital Projects, Community and Economic Development, and Debt Service functions.

Effect – The City is not in compliance with Chapter 384.18 of the Code of Iowa.

Cause – The City approved a budget amendment on May 27, 2020. With limited personnel and time constraints, the city inadvertently omitted some items from the preparation of their budget amendment. This resulted in the Health and Social Services, Community and Economic Development, Capital Projects, and Debt Service Functions to be overspent.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Views of Responsible Officials – The budget will be amended in the future, if applicable.

**III-B-20 Questionable Expenses** – We noted no expenditures that we believe may constitute unlawful expenditures from public funds as defined in an Attorney General's opinion dated April 25, 1979.

**III-C-20 Travel Expenses** – No expenditures of City money for travel expenses of spouses of City officials or employees were noted.

**III-D-20 Business Transactions** – Business transactions between the City and City officials and/or employees are detailed as follows:

<u>Name, Title, and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
John Milliman, Police Officer Lifestyle Landscape	Supplies	\$ 3,178 (1)
Travis Olson, Council Member Agency Two-Twelve	Advertising	1,349 (1)

- 1) The transaction does not appear to represent a conflict of interest since the total transaction was less than \$6,000 during the year, per Chapter 362.5(3)(j) of the Code of Iowa.
- 2) This transaction may represent a conflict of interest and the City should contact legal counsel for determination.

**III-E-20 Restricted Donor Activity** – No transactions were noted between the City, City officials, City employees and restricted donors in compliance with Chapter 68B of the Code of Iowa



**CITY OF HAWARDEN**  
**Schedule of Findings**  
**For the Year Ended June 30, 2020**

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**Part III: Other Findings Related to Required Statutory Reporting – (Continued)**

- III-F-20** Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to ensure the coverage is adequate for current operations.
- III-G-20** Council Minutes – No transactions were found that we believe should have been approved in the Board minutes but were not.
- III-H-20** Revenue Bonds – No violations of revenue bond resolutions were noted.
- III-I-20** Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- III-J-20** Telecommunication Services – No instances of non-compliance with Chapter 388.10 of the code of Iowa were noted.
- III-K-20** Urban Renewal Annual Report - The urban renewal annual report was properly approved and certified to the Iowa Department of Management on or before December 1.

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